

# **The Political Economy of The United Arab Emirates**

*An Analysis of the UAE as an Oil Rentier State*

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# 1 Introduction

The 2 December 2001 the United Arab Emirates (UAE) celebrated 30 years as a federation. Few dared to predict that the federation would be such a success. At the beginning of the new century, the federation “faces no immediate threat of invasion, overwhelming debt, organised domestic opposition or economic collapse” (Foley 1999:1). This, even though the Gulf region has had to cope with the most tremendous changes, due to the sudden influx of oil. It has witnessed the fastest population growth, the most rapid urbanisation and some of the largest flows of immigration in the world.<sup>1</sup> In 30 years, the UAE has gone from being seven inward-looking, poor sheikhdoms, to becoming a federation of modern oil-rich emirates.

Modernisation theory predicts that countries with a rapid economic development will experience a move towards democratic institutions, like political representation (Lipset 1959). Such a rapid economic development has not led to the introduction of democratic institutions or to the mobilisation of a political opposition against the regime in the UAE. The economic and political development we have witnessed in the Arab Gulf monarchies,<sup>2</sup> however, deviates from the predictions of the modernisation theory, because the modernisation theory does not cover the rentier phenomenon.<sup>3</sup> The purpose of this thesis is not to discuss the validity of the modernisation theory, but rather to pursue the rentier phenomenon as a distinctive explanation of the political development of the UAE.

This leads us to the core question of this thesis: *In what way does the government use the oil economy as an instrument in securing political stability in the UAE?*

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<sup>1</sup> The Economist 23.03.02.

<sup>2</sup> Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the UAE. In this thesis also referred to as: *the Gulf states*

## 1.1 Approaching a State like the United Arab Emirates

Max Weber's concept of authority has been essential in discussing legitimacy in the Arab World. Weber (1990:91-104) distinguishes between three 'pure' kinds of legitimate authority: legal, traditional and charismatic authority. The former of the three types, legal authority, is built on laws, where the purest form is the bureaucratic authority. The norm is that through a formally correct legislation any law can be created or abolished. The ruler shall not be obeyed because of his personal qualities, but rather because of the legal rule that he commands. The modern state fits best that of the legal structure. The second type of authority, traditional authority, is the belief that past structures of authority are considered to be holy. The purest form is the patriarchal structure. When the ruler is obeyed, it is because the tradition makes him worth obeying. A patrimonial authority is a subspecies of patriarchal authority. The patrimonial state has fairly advanced staff and administrative units, but it is still tied to the person of the absolute ruler and to the realm of prerogative and favouritism surrounding him (Ayubi 1995:164). The last kind, charismatic authority, can be described as an authority where the people feel an emotional devotion to the leader because of his charisma. It is his personality that makes him worth obeying.

In his book on Arab Politics (1977), Michael Hudson draws heavily on the work of Weber and David Easton (1967), who is also strongly influenced by Weber, and has provided a classification of legitimacy resources, close to that of Weber. Hudson sees the legitimacy problems in the Middle East in light of the modernising process. The basis of legitimacy is changing, as the states are turning into modern nation-states. Patrimonial authority, and to a certain degree charismatic authority, has been the basis of authority in the Gulf. The Gulf states are all hereditary and patriarchal, and to a varying degree conservative (Ayubi 1995:231). Political stability in this region has often been attributed to the continuance of the traditional way of ruling.

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<sup>3</sup> Defined as the dependence on one commodity, often referred to as 'the gift of nature'. In this case, I am referring to oil rent.

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All the Gulf countries are ruled by a tribal leadership. Hudson stresses the importance of kinship groups in the Arab society, and the role of the father in the Arab family. The tribe, and today even more the family plays an important political as well as a social role in society. It has been a tradition that the most powerful or the “best” families ruled the area, and that one of the senior members is the leader, often called ‘sheikh’. Although this does not happen automatically, “patrimonial respect is the rule” (Hudson 1977:85).

Theories concerning authority structures and legitimacy resources appeared before one could see the effects of the oil boom in the Gulf. Michael Herb (1999) stresses in his book; “All in the Family. Absolutism, revolution, and democracy in the Middle Eastern Monarchies”, that the best explanation of the survival of the Gulf monarchies, can still be found in the nature of their regime. More specifically he is referring to the role of the ruling families in these regimes. The rise of these family regimes, which he calls dynastic monarchies,<sup>4</sup> has had great political consequences. He states that no regime of this kind has ever fallen to revolution. The rise of these family regimes is closely connected to the oil revenues. Dynastic monarchies only exist in states with plenty of oil. However, according to Michael Herb, the UAE, along with the other Gulf monarchies, are stable because they are dynastic monarchies, and not because of the oil wealth itself: “The qualification on the use of the money, and not simply its existence, is crucial. The key variable is not the mere presence of oil wealth but instead how political actors, in the context of existing political institutions, respond to the influx of oil revenues” (Herb 1999:11). Some of Herbs points will be exemplified later in this thesis.

Since the late 1980s the rentier model has been one of the dominant theories on the political stability of the Gulf monarchies. Academics like Hazem Beblawi (1987,1990), Giacomo Luciani (1987, 1990), Jill Crystal (1990), Gregory Gause (1994), Øystein Noreng (1997) and Nazih Ayubi (1995) have all shown interest in

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<sup>4</sup> The ruling family is the Government – a family-ruled regime.

the rentier state. This model attributes the political stability of the Gulf monarchies to the political economy created by oil revenues. There exists a social contract between the ruled and the rulers. The rulers offer the ruled economic welfare in exchange for political support. In this way the government is able to buy off any political opposition that may arise, and the social contract becomes a political strategy to maintain political power.

The rapid development in the UAE as a result of the heavy influx of oil would not have been possible without the availability of foreign labour. Accordingly, immigration flows have had a massive impact on the composition of the UAE population. Today, only 20% of the total population are UAE nationals.<sup>5</sup> Several scholars have taken interest in these unique population patterns: J. S Birks and C.A Sinclair (1980), Birks, Seccombe and Pridham (1988), Ang Nga Longva (1993), Michael E. Bonine (1997), Sulayman al-Qudsi (1998), Onn Winckler (2000) and Andrzej Kapiszewski (2001). The predominance of non-nationals<sup>6</sup> in the UAE labour market is an effect of the government's economic welfare policy towards nationals. Hence, it is an important element in the oil rentier state.

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<sup>5</sup> A UAE National is equivalent to a UAE citizen. In the following I will also use the terms; *an Emirati or a Local*.

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## 1.2 The Scope of the Thesis

### 1.2.1 *The Theoretical Framework*

The theoretical framework of this thesis is the rentier theory. Examining all the above-mentioned perspectives would be too ambitious within the limits of this thesis. The rentier model has been the dominant perspective throughout the last decade. Unfortunately, I have still not seen an in-depth analysis of the UAE as a rentier state. The fact that the rentier theory has been criticised for its rather simplistic nature (Herb 1999), makes it interesting to examine. In addition, the methodological problems connected to analysing the influence of traditional and charismatic leadership in an authoritarian state are so severe, that it can be hard to draw conclusions.

This thesis considers the problems related to an oil-based economy. However, the way the ruling family handles these problems is relevant for the loyalty of the citizens. Gary Sick (1997:16-21) has listed seven ‘structural distortions’ of an oil rentier state, which has some troubling long-term consequences: 1. *Budgetary Uncertainties*, due to fluctuating oil prices. 2. *Dominance of the Public Sector*. The state owns the important means of production. 3. *Dominance of Foreign Labour*. 4. *Unemployment*. “One of the most intractable and politically dangerous problems in the Persian Gulf in the 1990s” (Sick 1997:19). 5. *Inadequate Revenues*. A social welfare network among the most generous in the world, and at the same time encouraging population growth. 6. *Absence of Popular Participation*. The government ‘buys off’ any political opposition that may arise. 7. *Lack of Accountability*. The absolute control of state finances by the ruling families permits no systematic accountability.

These ‘structural distortions’ will be the essence of the hypotheses discussed in this thesis.

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<sup>6</sup> A Non-national is not entitled to obtain a UAE citizenship. In the following I will also use the term; *an Expatriate*.

### 1.2.2 *The Case*

Two times during the last decade, world attention has been drawn to the Persian Gulf<sup>7</sup>: The Iraqi invasion of Kuwait 2<sup>nd</sup> August 1990 and the terrorist attack in the USA 11 September 2001, where most of the 19 hijackers were from Saudi Arabia, and one or two were from the United Arab Emirates. It was especially after the Iraqi invasion of Kuwait in 1990, that the small monarchies of the Gulf caught the interest of western academics. The UAE seems, however, to attract little interest. There are three main reasons as to why I have chosen this state and not one of the other Gulf states. The first one is connected to the unique structure of the UAE, the second is related to the political climate, and the third is personally motivated.

The UAE differs from the other Gulf states, and in fact from all of the states in the Middle East, on one important factor: The UAE is a federation. It is the only federal project that has ever succeeded in the Arab world. Studies of the UAE, especially in comparison with other states, leave out this factor. I consider this to be a weakness in the academic literature.

The political climate is also unique, compared to the other Gulf states with a similar economy. The UAE is not experiencing any political opposition or demands for political representation.<sup>8</sup> This reflects the interest of academics. Conflict is more appealing than stability. It is generally believed that Kuwait and Saudi Arabia are the most studied of all the Arab Gulf monarchies.

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<sup>7</sup> The countries of the Persian Gulf include: Saudi Arabia, Iraq, Iran, Kuwait, Bahrain, Qatar, Oman and the UAE.

<sup>8</sup> While Saudi Arabia, Bahrain, Kuwait and Qatar all have witnessed various degrees of political opposition, demands for political reforms, and even political representation, the UAE is the exception among the Arab Gulf Monarchies, with no signs of political discontent.

The third and final reason behind my choice of case is personal. I spent four of my childhood years in the Emirate of Dubai. This experience has been the basis of my interest in the Arabic language, culture and traditions.

### 1.3 The Research Model

There are problems related to the study of a federation that will have an effect on the research model. The United Arab Emirates consists of seven emirates,<sup>9</sup> where much of the political power lies in the hands of the ruling families in each individual emirate, or as Herb (1999:135) so rightly stresses; "... the UAE is very much a confederation: power lies not at the federal level but instead in the ruling families of the larger emirates..." To only study the country as a whole leaves out important factors in understanding the political stability of the UAE. In a way, there are seven countries in one country. In addition, the federal level (the relationship between the ruling families of the individual emirates) must be taken into consideration, to be able to identify the different layers of rentiers.

The independent variable in this thesis is *oil rent*, while the intervening variables are *welfare policies* and *political loyalty*. These variables will, as a consequence of the UAE's structure, be discussed on two levels: the state-citizen level (the relationship between the rulers of the UAE and the UAE citizens), and the federal level. The dependent variable, *political stability*, is however the same in both analyses. It is the stability of the UAE as a whole that is the focus of this thesis.

The time limit, i.e. the period where political stability is studied, is from the formation of the federation in 1971 and up until today. Although the oil discovery in Abu Dhabi came prior to this year, it was after the oil boom in 1973/74 that one could start to see the effects of the oil revenues.

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<sup>9</sup> Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah and Fujairah.

### *1.3.1 The Independent Variable*

My independent variable is oil rent. “To ‘explain’ a phenomenon is to stipulate a set of causal links about it” (Yin 1994:110). The independent variable is believed to ‘explain’ a phenomenon, i.e. the dependent variable. According to the rentier theory, there is a link between oil and political stability. The operational definition of oil rent can be production of barrels a day, oil prices or oil revenues. The latter definition is the natural measurement in this case. The oil rent does not, however, have an effect on the political stability in itself. It is the way the rulers use the oil rent that is crucial. The oil rent is the variable that is presumed to have an effect on the state’s economic welfare policy.

Here, the two levels come into effect, because the federation owns no oil. The natural resources are the property of each individual emirate. On the federal level, the wealthiest emirate, Abu Dhabi, is the major receiver of the oil rent, and becomes in this way, according to the rentier theory, the ruler on the federal level. On the state-citizen level, the oil revenues are distributed through the federal budget, and through the local government in the emirates with oil rent.

### *1.3.2 The Intervening Variables*

I have labelled my first intervening variable ‘welfare policies’. In a rentier state, the government plays a large role in distributing wealth to the population, without imposing income tax. This is a consequence of the enormous influx of oil revenues.

On the state-citizen level the ruler is the government, or more correctly; the ruling family (ies) is the ruler, and the ruled are the UAE citizens. The ruler’s welfare policies are therefore thought to have an effect on the citizens’ loyalty to the regime. I consider welfare policies as giving the citizens access to primary goods, education, health services, employment, feelings of security etc. This can be measured by studying state expenditure on welfare goods and pro-natalist policies in the labour market. If the state expenditure on welfare goods declines, or if the



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unemployment rate increases, this is bound to have an effect on the relationship between the rulers and the ruled.

On the federal level, I argue that the ruling family in Abu Dhabi is the ruler and the ruling families of the smaller emirates are the ruled. In this case, Abu Dhabi's subsidies of the smaller emirates are presumed to correlate with the ruling families' loyalty to the ruling family in Abu Dhabi.

The second intervening variable is political loyalty. Political loyalty expresses the popular support of the regime. The operational definition is therefore considered to be the level of organised political opposition. Since political loyalty is presumed to be economically motivated, the economic welfare of the citizens will positively correlate with political loyalty. Herb (1999:243) does not agree with this definition. He claims that, "The level of expressed opposition is not a reliable measure of actual sentiment about a regime, for the expression of opposition depends very much on the expected reaction of the regime itself (...) In fact there is no strong correlation between opposition and revolution." Herb has a point, but in his analysis, the focus is the rise and fall of monarchies in the Middle East. The rentier theory, on the other hand, only predicts that the government is able to buy off any political opposition that might arise, and not that the regimes will be resilient. Accordingly, the level of expressed opposition can be considered to be a measure of political loyalty.

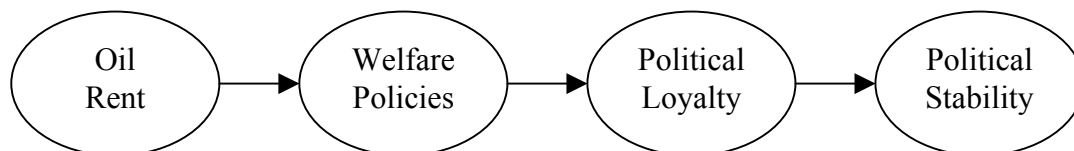
On the state-citizen level I identify political loyalty as the level of organised domestic political opposition among the citizens, which could threaten the stability of the regime in the UAE. On the federal level, however, political loyalty is identified as the level of political opposition among the ruling families of the individual emirates, against the ruling family in Abu Dhabi.

### 1.3.3 *The Dependent Variable*

Political stability can be defined in various ways. In this thesis I choose to define political stability as the degree of change in the political regime, i.e. a continuance of the existing regime. A political regime refers to the organisation of political power in a state. The regime tells us how the decision-making process is organised, in addition to the organisation of political roles (Østerud 1991:125).

The UAE can be described as a dynastic monarchy. The political power is organised around the ruling families of each individual emirate. According to my definition, the continuance of this political role is considered to be an element in the political stability of the UAE. The continuance of the organisation of decision-making as described in the Federal Constitution of 2 December 1971 is the second element in the political stability of the UAE.

The following model is extracted:



## 1.4 Methodological Considerations

### 1.4.1 *The Single Case Study*

In this study, I use the basic principles of the case study. The case study is used whenever “a ”how” or ”why” question is being asked about a contemporary set of events over which the investigator has little or no control” (Yin 1994:9).

The case study has been criticised for being a “weak sibling among social science methods” (Yin 1994:xiii), and is less desirable than experiments and surveys (Ibid 1994:10). Yin argues, however, that analytical generalisation is possible in the matter of a single case study (Ibid 1994:31). If a case study’s empirical data supports theoretical propositions, this theory’s propositions are strengthened. My aim in this thesis is, however, not to test theory, i.e. to draw conclusions concerning the validity of the rentier model, but rather use theoretical propositions as a theoretical orientation guiding the case study analysis (Ibid 1994:104). I perform what Andersen (1997:68) calls theoretical interpretative case studies. In an interpretative case study, which is one of three categories of case studies that Andersen mentions, one uses theoretical assumptions to explore how various factors influence a certain phenomenon. Some studies do not seek to generalise findings, in order to develop a theory, but rather uses theoretical assumptions to organise the empirical material. My aim in this thesis is, in accordance with this, to use the rentier theory to examine how the rulers use the oil economy as an instrument in securing political stability in the UAE.

As I have mentioned above, this thesis aims at examining the political stability of the UAE, by studying the relationship between the ruling families and the UAE citizens, and the relationship between the ruling families of the individual emirates. Hence, it is the idea of a social contract existing on two levels. Andersen (1997:70)

claims that an important challenge is to show theoretical inventiveness. The scientist's interest increases when established theory is applied to new areas. In this thesis, I have applied the rentier theory to a new level, i.e. the federal level.

#### *1.4.2 The Sources*

“The case-study's unique strength is its ability to deal with a full variety of evidence- documents, artefacts, interviews and observation” (Yin 1994:8). Ottar Hellevik (1991:103) states, however, that a researcher has to view his/her data in light of the data's validity (relevance) and reliability (trustworthiness). When the researcher collects his/her own data, the possibility of influencing the phenomenon is always an issue. However, the data's relevance and trustworthiness can be at risk when the data is not collected by the researcher him/herself. The data will usually be collected for other purposes.

My study is performed with the use of both primary and secondary data. I have conducted two study trips, and collected my own data, while I at the same time had to rely on secondary data, both to complement my findings and to increase the validity and reliability of my data.

#### **Lack of Literature**

This research would not have been possible to conduct with the use of books and articles alone. There is so little available literature on the United Arab Emirates that conclusions would be difficult to draw. The use of literature concerning all the Gulf states has therefore been necessary. This raises some problems. There is a common thought that the Gulf monarchies are so similar. They have a common religion, Islam, a common language, Arabic, a common heritage and tribal background, and a common political system, monarchy. In addition, there is a geographical proximity, a relatively equal standard of living, oil-based economies, and apart from Saudi Arabia, the Gulf monarchies are physically, militarily and

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psychologically small states (Abdulla 1999:161). However, the importance of Islam in state politics differ, the degree of openness in state politics and economy differ, the use of the oil revenues and the amount of oil revenues differ, and the size and the composition of the population differ. These are important factors when analysing the degree of political opposition, and might explain why some Gulf monarchies are witnessing an increasing discontent with the government. However, being aware of the similarities and differences between the Gulf states, the use of these books can only be a fruitful contribution to this study. Whenever an author refers to the Gulf states, I will refer to the Gulf states as well, and not the UAE.

### Lack of Openness

My two field trips were both conducted in the United Arab Emirates, in the periods: 26 March – 5 May 2001 and 20 April – 26 April 2002. The intention was to only conduct one field trip. However, as the thesis took form, the missing gaps became clearer.

During my stays I performed a series of informal interviews<sup>10</sup> and observations, in addition to the collection of secondary data. Whenever information from the interviews and observations are used as the only source of information, this is explicitly underlined. Elsewhere, the information is only used together with other sources of information. This increases the reliability of the information concerned. However, to study an authoritarian country, like the UAE, without ‘getting behind’ the public figures, would have been a poor study. Figures concerning the economy of the UAE have been particularly difficult to obtain, and when most of the figures finally were collected, it turned out that the figures were not very reliable. This is a problem that will be discussed throughout the thesis.

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<sup>10</sup> According to Hellevik (1991:106), an informal interview is an interview where the questions asked do not follow a clear pattern from one interview-situation to another.

The informal interviews that I conducted, were partly with full openness from my side, and partly not. Not surprisingly, talking freely with other academics was much more comfortable than with employees in the various ministries. The UAE is experiencing increased pressure from the international community, especially concerning the conditions of the non-nationals residing in the country. Hence the issue of nationals vs. non-nationals was a highly sensitive subject. The partial openness from my side gave me an opportunity to observe some of these 'patterns'. In addition, I hope that I got mostly 'right' answers and not 'politically correct' answers. My guarantee that all interview objects will be anonymous when referred to in the text should further strengthen the reliability of the information concerned. I am, however, fully aware of the dangers of collecting information on the basis of observation and interviews, especially in a country where freedom of speech is not common. These sources have therefore only been complementary.

Most of the secondary data that I examined was collected at the Emirates Centre for Strategic Studies and Research, one of the most respected research institutes in the Gulf. The centre was so kind as to send me their entire collection of publications. Their published lectures, their occasional papers and books have all been of great value to my study.

### Unreliable Statistics

There is a wide use of statistics in this thesis. Writing a thesis on the political economy and demographics of a state requires a wide use of figures. The statistics used in this thesis are UAE public statistics, mainly collected at the UAE Central Bank and the Ministry of Planning, as well as statistics from international organisations, such as the IMF and OPEC. I have also had to rely on statistics used by other authors. There are unfortunately considerable problems of reliability related to my data. All the statistics are mainly derived from the same sources. Figures concerning the economy (oil revenues, budgets, foreign investments and external debt) and the composition of the population (and the workforce) all derive

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from UAE public institutions, even if IMF or OPEC collects them. The most serious problem concerns the close ties between the government and the ruling family. The emirate owns the oil, however, the ruling families acquire some of the oil revenues before they go into the emirate budget. Whenever there is a budget deficit, which is not unfamiliar in some of the emirates in the UAE, the ruling families cover it. The other problem is related to the sensitivity surrounding matters concerning nationals vs. non-nationals. Due to international pressure, these figures are not public anymore. Luckily, authors writing on the same issue have been able to obtain some statistics.

Throughout the thesis the currency referred to is United States Dollars (US\$). Most of the figures were originally in Arab Emirates Dirhams (AED). For the reader, however, the use of US\$ makes it less complicated to compare the figures from the UAE with other figures, and at the same time be familiar with the numbers. I consequently use the rate at that time. The rate has, however, been fairly stable at  $1 \text{ US\$} = 3,6710 \text{ AED}$ .<sup>11</sup>

### Freedom of Speech

Besides the above-mentioned sources, newspapers and the Internet have been useful tools. Gulf News is a Dubai-based newspaper in English, which has provided me with some facts and figures. Since freedom of press is not common in the UAE, all information from this source is not likely to be very reliable. I have, however, had no choice but to use some information from this newspaper for my empirical examples. Usually, I have been able to get a picture of their reliability through other sources of information. The same is valid for the Internet. In addition, the Economist Intelligence Unit publishes country reports, which are quite detailed, and presents empirical findings rather critically.

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<sup>11</sup> For annual exchange rates see Appendix 1.0.

### Analytical Consequences

As many of my sources are not very reliable, the empirical data causes serious implications for the study of the United Arab Emirates. However, with the use of various sources, as I have conducted in this thesis, the reliability is likely to increase, in addition to the validity. Being critical towards the sources used further strengthens the study.

However, on the basis of the empirical data in this thesis, I will not be able to falsify nor verify any of the hypotheses presented. My ambition can only be to make qualified assessments that could either strengthen or weaken them.<sup>12</sup>

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<sup>12</sup> I am indebted to Stig Stenslie for this way of phrasing the ambition in this context. See Stenslie's thesis; "Oil and Politics in Saudi Arabia- A Critical Discussion of the Rentier State Theory" (2001)



## 1.5 Organising the Thesis

The first part of this thesis, chapter 2, gives an introduction/background to the study of the UAE. Initially, a short historical overview will be given, which is necessary to understand the political organisation of the UAE, presented in the second part of the chapter.

Chapter 3 of this thesis covers the theoretical framework. The rentier theory is the core of this study. Based on the theoretical assumptions of the rentier theory, three hypotheses will be presented.

Chapter 4 gives the empirical basis for the analyses. The chapter focuses on the oil dimension in the UAE. Specific features of the UAE, such as its federal character and its unique population structure will be presented.

The final part of this thesis (chapters 5, 6 and 7) includes three analyses, based on the three hypotheses presented in chapter 3. The rentier theory predicts that political loyalty is economically motivated. How to study this in a federation, where political loyalty is related to two levels? This question leads to some frustration. I see the relationship between the ruling families of the individual emirates in the federation, as being of great importance to the political stability of the country, and therefore choose to analyse political loyalty on two levels. The first analysis is connected to the presence of a social contract between the citizens and the rulers, while foreign labour, as an element in the social contract between the citizens and the rulers, will be essential in the second. The third analysis is related to the social contract between the ruling family of Abu Dhabi, and the ruling families of the smaller emirates. My task is not to empirically test the validity of the rentier theory, but to use the rentier theory to illustrate the problem of this thesis: In what way does the government use the oil economy as an instrument in securing political stability in the United Arab Emirates?

## **2 Rapid Modernisation and Political Stability**

Seven sheikhdoms with a long history of rivalry are today united into one state. Each sheikhdom or emirate is ruled by a leading family. The questions that arise are: What unites these seven emirates? Further: How did the dominant families obtain their role in the modern bureaucratic structure of today's UAE? The uniqueness of the Gulf states is the role of the ruling families in government. The line between the government and the ruling family (ies) is so difficult to draw that analysing the political economy of the UAE is impossible without taking this into account.

The first part of this chapter gives a short historical overview concerning the factors that contributed to the formation of the UAE federation. Three factors are underlined: Britain's withdrawal from the Gulf, the discovery of oil and the ruling families in the area. The second part of this chapter covers the first steps towards a federation, the process of institution-making and the provisional constitution, later to become permanent, the formalisation of tribal and family lines, political opposition and UAE citizenship. This part has been labelled 'political organisation', and presents the changes/lack of changes in the organisation of political power in the federation since its foundation in 1971. Hence, the degree of political stability.

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## 2.1 Historical Overview

### 2.1.1 *British Influence in the Gulf*

More than one European power has been involved in the Gulf region during the last centuries. With its strategic location on the route to India, “the Gulf became inextricably linked with the commercial and political rivalries of western countries: Portugal first, then Holland and France, and finally Britain” (Zahlan 1989:4). Holland dominated the Gulf during the sixteenth century, while the Dutch, the French and the English became involved during the seventeenth century. Britain’s intrusion in the region, however, became the most pervasive of the imperialist states. To protect the Southern and Western approaches to its lifeline to India, the government of India secured for Britain a privileged position all along the coasts of Arabia (Hudson 1977:110). Rosemarie Said Zahlan points to two major events that have had a lasting influence on the Gulf states. The first was the growth of British interests in the Gulf. The second was the rise of the Wahhabi movement on the Arabian Peninsula, a religious reform movement in which the basic ideology was a return to the original principles of Islam. The movement and the Al Saud family went into an alliance, which became the basic element of the kingdom of Saudi Arabia today. The Wahhabi-Saudi movement together with British interests in the Gulf thus provided the framework for the modern Gulf region (Zahlan 1989:6).

Throughout the eighteenth century the British was threatened by pirates of the Qawasim tribe, which was situated in Sharjah and Ras al-Khaimah. In 1820, however, a British naval expedition destroyed their entire fleet, which led to separate agreements between the British government and the Qawasim and the sheikhs of Ajman, Umm al-Quwain, Dubai, Abu Dhabi and Bahrain. The treaties, which were all known as the General Treaty of Peace, prohibited piracy on land and at sea (Hudson 1977:110; Zahlan 1989:7). This agreement began to change the relationship between the local tribes as well as with the British. Through making a truce with the British government, they had also made a truce with each other. There was an expectation among the rulers that the British patrolled the Gulf in

order to prevent violation of the Treaty. This gave the British authorities a position from which they could influence the politics in the region if they so wished (Heard-Bey 1996:286).

The sheikhs of the lower Gulf states had now entered into treaty relations with Britain, and as a result of this, become separate political units, though the limits of their authority did not become an issue before the discovery of oil over 100 years later (Zahlan 1989:8). However, the acts of piracy did not stop, especially not towards the other tribes in the region. A new truce was signed in 1835, and a permanent one from 1853. The states who signed the latter truce, the Perpetual Maritime Truce, became known as the Trucial States.<sup>13</sup> This name persisted until 1971, when the British withdrew from the Gulf, and these states formed the United Arab Emirates.

Britain has had an important impact on the formation of the Gulf states. The treaties gave the rulers continuity and political status, and treated them as separate political units. The treaties also secured British dominance in the Gulf, which in a way sealed the Gulf states off from the rest of the World. The British even handled their foreign relations on their behalf. This isolation caused the states to become parochial and inward-looking. It was a place where time had stood still (Zahlan 1989:13). The continuity of Arab tribal customs was in this way protected.

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<sup>13</sup> Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah and Fujairah.

### 2.1.2 *The Discovery of Oil*

”The entry of the oil companies in search of concessions soon after World War I was to become a major milestone in the socio-political and economic evolution of the region” (Zahlan 1989:16).

The presence of oil companies in the Gulf had an influence on two different areas: They upheld and perpetuated the political units, which had evolved and developed under the British, and they acted as agents of major change (Zahlan 1989:16). Since the concessions were placed in the names of the different rulers, the oil companies helped to maintain the political system. However, a new problem arose. The precise delineation of each state’s boundaries had never been discussed. Tribal politics had been more concerned with authority over people than over territory with boundaries (Heard-Bey 1996:56). Now, every state wanted the largest possible area. This led to various tensions between the neighbouring states. Some of these territory disputes are still going on today.

Oil, in commercial quantities, was first discovered in Bahrain in 1932. In today’s United Arab Emirates oil was not found in large quantities until 1960, in the Emirate of Abu Dhabi (Heard-Bey 1996:307). Dubai struck oil in 1966. Oil wealth gave Abu Dhabi a lead in the economic development over the other emirates.

One of the most striking changes with the discovery of oil and the entry of the oil companies was the opening up of the region to the outside world. The United States interests in the Gulf began to grow, and American oil companies were, beside the British, the first to buy concessions in the region. After a while American oil companies became firmly established in the Gulf. “...Their interests ultimately providing the basis for a forward US policy in the Arab world. A new power was set to overtake Britain” (Zahlan 1989:19).

### *2.1.3 The Tribal Structure of Society*

If we go back in history, southeastern Arabia witnessed several migrations from the West and the North, with the result that the population in the area mostly are of Arab stock. Over 2000 years ago the desert and the coast were under nobody's rule, but that of nomadic communities. From the second century AD, groups or tribes first occupied areas. Frauke Heard-Bey argues that the survival of the tribal structure on the Arabian Peninsula has to be seen in relation with the need for economic diversification, due to the geography and the climate of the country (Heard-Bey 1996:24). On the one side you had agriculture, camel breeding, goat breeding and so on, and on the other side there was trading, pearling and fishing.

Two tribal groups have dominated the area, which today is the United Arab Emirates. The Qawasim, which I have mentioned earlier, was a clan, who had imposed its authority over a number of tribes. The word "Qawasim" was often applied by the British to all Arabs living on the shores of the Gulf (Heard-Bey 1996:68). From 1850 the Qawasim sheikhs ruled along the coast and in the mountains north of Sharjah. The most important source of income was the pearling industry, that is, until the Wall Street crash in 1929. After this incident, the pearl market decreased, and the cultured pearls from Japan became more desirable.

The other important tribal group is the Bani Yas. Both the Emirate of Abu Dhabi and the Emirate of Dubai are led by sheikhs from various sections of the Bani Yas. A member of the al-Nahyan (family) has traditionally been the ruler of Abu Dhabi, while the Maktoum family has ruled Dubai since 1833. The Nahyans were mostly involved with pearling during the summer, and their date gardens out in the desert, during the winter, while the Maktoums were mostly involved in fishing (Heard-Bey 1996:32). Other sections of the Bani Yas were Bedouins. It was this tribal confederation that was the basis for the creation of a nation-state.

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## 2.2 Political Organisation

### *2.2.1 The Founding of a Federation*

In 1968 the British announced that it would withdraw from the Gulf. Its somewhat special protective relationship with the nine sheikhdoms would end in the year of 1971 (Hudson 1977:196). The British decision to leave the Gulf came as a surprise to the rulers and the people of the seven Trucial States, Qatar and Bahrain. They were not prepared to face the unresolved territorial claims, to defend the growing oil wealth, to deal with the ideological trends sweeping the Arab world, or to guard against the possibility of subversion (Heard-Bey 1999:129).

To be able to meet the new reality, and to reduce their vulnerability, the British announcement set in motion efforts to unite the small Gulf states into one state. The rulers of Abu Dhabi and Dubai took the first step towards a federation. They met on the border between their two emirates 18 February 1968 and resolved their frontier difficulties and declared their two states united (Heard-Bey 1999:130). They had, however, no intention to stop there. They invited other rulers to join their Union. The result was an agreement to establish a federation of the Trucial States, and Bahrain and Qatar. The process of institution making, however, was not an easy task. The differences between the states were striking. The sheikhdoms were unequal in terms of population structure, size of territory, and were diverging when it came to wealth and development projects. Bahrain and Qatar were especially far ahead in terms of education and institution building. In the summer of 1971 it became clear that Bahrain would not join the Union, and 14 August 1971 Bahrain declared its independence. The 1 September 1971 Qatar followed (Heard-Bey 1999:134). Six of the remaining seven emirates agreed on a provisional constitution on 2 December 1971, while the last emirate, Ras al-Khaimah joined the federation in February 1972.

### *2.2.2 The Constitution and the Federal Institutions*

The Constitution that came into effect 2 December 1971, was only meant to be a provisional constitution for the first five years, but was not replaced by a permanent one until 1996. This reflects the political reality of the time. The hope was that within a five-year period the federation would become a political entity “well on its way to becoming a centralised state” (Heard-Bey 1999:135). The emirates, however, were not ready to give up their identity and the rulers, their authority.

Each individual emirate has its judicial and political power unless otherwise is provided by the Constitution or by agreements provided by the Federal Government. However, the Federal Government maintains jurisdiction in areas such as foreign affairs, defence and the armed forces, health, education, postal and telegraphs services and electricity services (article 120). The individual emirates are responsible for “developments in civil aviation, oil, internal security, finance and investment, and economic policy”.<sup>14</sup> On the federal level we can identify the following Union authorities (article 45): The Supreme Council of the Union, The President of the Union and his deputy, The Council of Ministers of the Union, The Federal National Council and The Judiciary of the Union. On the local level each emirate has its own governmental structure.

The Supreme Council is the highest federal authority and is made up by the rulers from the seven emirates. It is headed by the president of the UAE. Article 47 of the Federal Constitution states that the Supreme Council has the power to decide the general policy of the federation, keep control over the affairs of the Union and ratify treaties and international agreements. The Council shall further elect the President and the Vice President of the UAE (both for a five-year term), and approve the appointment of the Council of Ministers.

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<sup>14</sup> The Economist Intelligence Unit: UAE Country Profile 2000.



The President of the Union shall preside the Supreme Council and direct its discussions (Article 54, paragraph 1), terminate its sessions, sign Union laws and supervise the implementation of Union laws. In addition, it shall appoint the Prime Minister, appoint the diplomatic representatives of the Union, represent the Union and exercise the right of pardon and commutation of sentences (Article 54).

The Council of Ministers is the executive authority of the Union. It is headed by the Prime Minister. Each emirate has at least one minister. Article 60 of the Federal Constitution defines the responsibilities of the Council: The Council has the power to implement the general policy of Supreme Council, initiate drafts of federal laws and the draw up of the general budget of the Union.

The Federal National Council is the national legislature. It has 40 members, divided on the individual emirates. The members shall represent the country as a whole and not their individual emirate (Article 77). The Council has only a consultative role, but reviews draft federal laws before they are submitted to the President and the Supreme Council.

The Judiciary of the Union is dealt with in the articles 94-109 in the Federal Constitution. The Supreme Court is the constitutional court, and consists of a president and a number of judges, no more than five. The Supreme Court has jurisdiction in matters concerning the relationship between the emirates, and between the emirates and the Union Government (Article 99). The federal law will of course prevail, whenever there is a conflict between local and federal law.

### 2.2.3 *Dynastic Monarchies*

Political organisation in the UAE is built along tribal and family lines, as we have seen above. Iliya Harik (1990:4-17) has presented a typology of the traditional Arab states, according to the basis of their authority. The UAE falls into the group of traditional secular systems: “the chieftain principle was paramount and the ascendancy of the ruling dynasty has been on the increase continuously to the present. Nowhere did religious power manifest itself, nor was it associated with the ruler” (Ibid 1990:12).<sup>15</sup> The ruling families have become the government in the modern bureaucratic structure of the UAE, i.e. a dynastic monarchy (Herb 1999). As a result, tribal and family lines have become more formalised. The Sheikh’s family members therefore hold the most important posts in the regime. The President of the UAE is the ruler (sheikh) in Abu Dhabi; the Prime Minister is the ruler in Dubai, while 9 out of the 24 federal ministers are members of the seven ruling families.

The dynastic monarchies choose from among their family members, the king who is the most qualified. Before a sheikh dies he will recommend one of his sons or another member of the family, which he finds most suitable. The quality of leadership is being valued before primogeniture. The family therefore has the power to remove a ruler and replace him with another member of the family, if he does not adopt policies that are in the interests of the family.

The originally tribal tradition of consultation is still strong in the UAE. “The Sheikh of a tribe leads by virtue of his personal qualities as recognised by a council of elders – the heads of the main families” (Hudson 1977:89). This council of elders is called ‘the majlis’. Yet the majlis is also defined as a ‘sitting room’, and the place where the head of the family receives his male guests. In a tribal context, the members of a tribe could visit the Sheikh’s majlis and discuss whatever matter

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<sup>15</sup> For a discussion on the political culture and the role of Islam in the UAE, see Birgitte Bye Thorleifsson’s thesis: “Political Stability and Changes After the Gulf Crisis (1990-91) in the United Arab Emirates” (1993).

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he desired. In theory, tribal politics had significant elements of democracy (Hudson 1977:90). The majlis is still very much in use today. However, the modern bureaucratic structure of the state has made it easier for the population to contact state offices, than to arrange meetings with the sheikhs. The traditional basis of authority has been weakened, but it has certainly not disappeared.

#### *2.2.4 Political Opposition*

There are no legal channels where political opposition could be expressed in the UAE. Political parties are forbidden, and civil society is non-existent. The costs of expressing one's dissatisfaction with the rulers can therefore be very high. In addition, there are no elections in the UAE, neither on the emirate level nor on the federal level. The sheikh's majlis is, however, still used as a consultation forum, especially in the smaller emirates.

There are no signs of an organised domestic political opposition in the United Arab Emirates, and there has been no sign of opposition groups during the 30 years of its existence. Rivalry only exists, if anywhere, within or between the ruling families. In June 1987 an attempted coup took place in Sharjah. Sheikh Abd al-Aziz, a brother of the ruler, Sheikh Sultan bin Muhammad al-Qasimi, issued a statement in the absence of Sheikh Sultan. The statement announced the ruler's resignation, due to economic mismanagement. However, Dubai intervened and brought the matter up in the Supreme Council, which supported Sheikh Sultan's claim to be the legitimate ruler of the Emirate of Sharjah. This incident is the only one of its kind in the history of the UAE.

### 2.2.5 UAE Citizenship

The UAE population was estimated to be 3,108,000 in the year 2000.<sup>16</sup> Although the entire population is estimated to be around three million, the number of nationals is approximately 600,000. As it is only, with few exceptions, locals that obtain citizenship, citizenship becomes a privilege with major economic benefits connected to it.

The question concerning citizenship arose with the oil era. It was largely of western origin and loosely connected to the idea of the nation-state. On the Arabian Peninsula, loyalty to the tribe and the family has been far more important than residence on a territory. Shortly after obtaining independence, the UAE formally restricted the possibility of obtaining citizenship.<sup>17</sup> Article 4A1 in the Nationality Law states that: “Any person who has preserved its normal residence-ship in the State since 1925 is to be registered in the register of Nationality according to a statistical declaration of such a person’s family. The children of such persons, and children of their male children resident in the state since birth shall also be registered.”

The UAE, however, granted (especially) non-local Arabs citizenship during the first years of independence, to enlarge the size of the country’s legal citizenship body. Abu Dhabi, in particular, wanted to enhance its political weight against the other smaller emirates (Kapiszewski 2001:51). Some respected businessmen have also obtained a UAE citizenship. The political rights of the naturalised citizens have, however, been restricted.

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<sup>16</sup> The figures differ a lot. The UAE population is estimated to be everything from 2,407,460 (CIA World Factbook: <http://www.cia.gov/cia/publications/factbook>, 10.12.01, July 2001 Estimated) to 3,108,000 (Ministry of Planning, 2000). I use the figures from the Ministry of Planning because I use other figures concerning the UAE population that are comparable with this estimate.

<sup>17</sup> Cabinet’s Decision No.2 of 1972, On Issuing the Executive Regulation for the law of Nationality and Passports.

## 2.3 Concluding Remarks

The United Arab Emirates has witnessed no major changes in their political institutions during the years of its existence. There has been some tension at the federal level, but not of such a kind that the organisation of political power has changed. Sheikh Zayed, the ruler of Abu Dhabi, has been president of the United Arab Emirates since the foundation of the federation in 1971, while the ruler of Dubai has been the Prime Minister.<sup>18</sup> The Federal Constitution of the UAE was only a temporary constitution until 1996, when it became permanent.

The traditional tribal structure has influenced the organisation of the modern state of the UAE. Amongst the federal political institutions of the UAE, it is only the seven rulers in the Supreme Council that have the right to make decisions regarding the federation. Hence, a modern form of the 'majlis'. This reflects the close ties between the ruling families and the state.

All locals are members of a tribe, but with the modern state came also citizenship. A sheikh is the leader of a tribe, and even though there are many sheikhs in the UAE, the sheikh that rules, is now a sheikh over residents on a territory, and not only a tribal group. Sheikh Zayed is now the leader of all UAE citizens. Although there still is differences in family and tribal status, the UAE citizens have become a privileged group, an elite of 600,000 of a total population of approximately 3,000,000. The non-nationals do not possess the same rights as the nationals.

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<sup>18</sup> When Sheikh Rashid died in 1990, his son, Sheikh Maktoum became the new ruler of Dubai, and accordingly the new prime minister of the UAE.

### 3 An Economic Approach

The Persian Gulf countries produced nearly 28% of the world's oil in the year 2000, and holds 65% of the world's proven oil reserves and 34% of the world gas reserves.<sup>19</sup> The United Arab Emirates alone holds almost 10% of the world's oil proven oil reserves and has the fourth largest proven world gas reserves. The UAE is the third biggest economy in the Arab world, after Saudi Arabia and Egypt, with a GDP estimated at US\$ 60,7 billion in 2000. In terms of per capita income, the UAE ranked second with US\$ 19,500, after Qatar with US\$ 28,300.<sup>20</sup>

Several academics have during the last two decades taken an interest in these oil-rich countries of the Gulf. In this chapter the theoretical framework will be presented. Initially, I will present the economic characteristics of the rentier model, and the political implications of such an economy. Secondly, three hypotheses will be deduced from the rentier theory, which lays the basis for the analyses in chapters 5, 6 and 7.

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<sup>19</sup> <http://www.eia.doe.gov/emeu/cabs/pgulf.html> 20.11.01.

<sup>20</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=24867> 21.08.01.

### 3.1 The Rentier Model

The rentier approach attributes the political stability of the Gulf states to the political economy created by oil revenues. During the 1970s and 1980s, it was difficult to fit these states into any theoretical framework that was designed to study the newly independent states in the Third World. The one obvious factor that distinguished the Gulf states from most other developing countries, was the discovery of oil. These factors led a group of intellectuals to advance the concept of the rentier state.

The rentier model is not a new phenomenon, but has gained renewed interest with the oil-producing states in the Gulf. The term “oil-producing” is, however, quite misleading. Oil is a natural resource and not a commodity that is produced. It is the enormous oil revenues, and the dependence on the export of one commodity that makes the rentier economy of these countries so different from other economies.

#### 3.1.1 *The Term ‘Rent’ and ‘Rentier’*

Adam Smith (1979:249) distinguished between rent and other sources of income: profit and wages. “Rent, it is to be observed, therefore, enters into the composition of the price commodities in a different way from wages and profit. High or low wages and profit are the causes of high and low price; high or low rent is the effect of it”. Rent was usually used when referring to the natural resources of the landlords. This was not considered to be a direct income, but a reward for the landlord’s ownership. Today, the word rent is often used to describe oil wealth in oil-producing countries. The term rent is viewed as an income that is a ‘gift of nature’.

A ‘rentier’ is the individual, social group or state that owns the natural resources. The rentier is rarely active in the production, but is entitled to receive a fair share of the income. The share that the rentier receives from the production is often referred to as “easy money”, and not earned “the hard way”.

### *3.1.2 A Rentier Economy*

In his article, “The Rentier State in the Arab World” Beblawi (1990:87-88) lists certain characteristics of a rentier economy. First of all, there is no such thing as a pure rentier economy. All economies have a certain degree of rent, but only economies where rent situations predominate are considered to be rentier economies. A second point, which Beblawi emphasises, is that a rentier economy is an economy with a substantial degree of external rent. The external rent is in fact crucial to a rentier economy. It can sustain the economy without a strong domestic productive sector. An economy with a pure internal rent on the other hand, is dependent on a productive sector, and hence is nothing else than a situation of payment transfers in a domestic productive economy. An economy where the natural resource is not exported may or may not be called rentier, but it does not appear to differ from any other economy where the income depends on domestic resources (Luciani 1990:71). A last characteristic of a rentier economy, is that few are involved in the generation of the rent (wealth), while the majority is only involved in the distribution or utilisation of it. The creation of wealth is thus centred round a small fraction of society, which makes a distinctive difference between a rentier economy and a production economy where most of the population contribute to the creation of wealth.

### *3.1.3 A Rentier State*

In a rentier state, it is the government that is the recipient of the external rent in the economy. It is important to remember, when using the concept of the rentier state, that it is based on the assumption that a rentier economy creates a specific mentality, a rentier mentality. A rentier economy creates a special situation, different from other economic behaviour based on work-reward causation. Reward in a rentier economy is related to chance and situation, rather than a reward due to a long and organised production circuit (Beblawi 1987:52). The citizens are hardly



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expected to do anything productive, except to rely on the government to allocate the revenues. The result is a type of paternalistic social setting in an extensive welfare state, with an enormous dependence on foreign labour. Furthermore, a political hierarchy comes into effect, and becomes perfectly legitimate over time (Abdulla 2000:12).

The expression “oil rentier state” is used to emphasise the rather strong connection between the economy and the state. The state’s primary income comes from the oil sector, rather than traditional sources of revenue, such as productive activities, trade and taxation. During the 1980s more than 90% of the Gulf states’ total revenues came from oil, mostly in the form of royalties and with international oil companies leasing agreements (Abdulla 2000:12).

A rentier state is built up with different layers of rentiers. The ruler and his family is at the top of the hierarchy, while foreign labour is at the bottom. In the middle, the national citizens enjoy their exclusive right to a citizenship, though the hierarchy also exists within the national community. The economic system has always had an effect on authority norms in the Arab world. Power, control and wealth have been on few hands. Every area has a leading family or families, with clientele that depend on these families for employment, loans, different advice and so on. The families’ influence is primarily a product of economic power (Hudson 1977:100-1).

#### *3.1.4 Allocation vs. Production States*

It is the government that controls the external rent in a rentier state, as described above. This not only gives the government economic power, but also political power, which means that the government plays an important part in distributing the wealth to the population. Giacomo Luciani (1990) emphasises the importance of the economic foundations of state structures in shaping the basic parameters of Arab politics. He stresses that “the nature of the sources of income of the state influences the basic rules of political life in each individual country” (Luciani

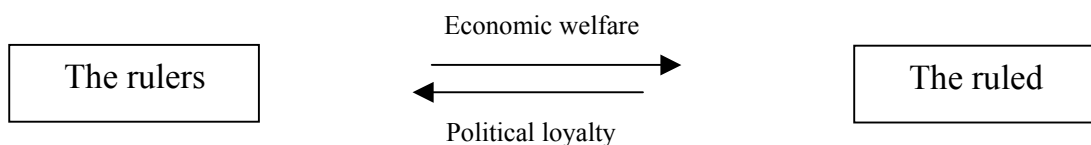
1990:65). Luciani distinguishes between what he calls allocation states and production states. The former is a state where rentier income predominates. The state will have the role of allocating income received from external sources. All states have an allocation function, and most states have this as its goal, however, few have the resources to go through with it. In a production state, on the other hand, most of the population derives its income from sources other than the state itself. The state has to rely on taxes, and economic growth is the main goal of the economic policy. The economic policy, however, is not neutral. A production state will in this way experience a polarisation of the society, creating different interest groups, which struggle for influence on the economic policy. The political implications of tax levying will depend on the nature of tax itself, but the taxes must be accepted by a large part of the population. This creates a link between the ability to raise taxes and the legitimacy of the ruling elite (Luciani 1990:71-75).

### *3.1.5 “No Representation Without Taxation”*

Luciani modifies his above-mentioned link between paying taxes and legitimacy. He states that a direct link between the two might not exist, but as soon as a state starts collecting taxes, questions concerning the legitimacy of the ruling elite are bound to occur. The well-known saying from the American War of Independence, “no taxation without representation” has in this way become the core of the rentier state theory. The people of the American colonies refused to pay tax to England, since they had no influence on the political processes. In the oil producing countries of the Gulf, the same expression can be used by turning it the other way around; “no representation without taxation” (Noreng 1997:253). In a rentier state or an allocation state, as Luciani labels it, the people do not have to pay taxes, but in return they do not have the privilege of using their voices to influence the political leadership. Oil money has enabled the traditional tribal elites of these countries to secure the economic welfare of the citizens without the introduction of income tax and, as a consequence, maintain their rule (Ayubi 1995:239).

### 3.1.6 *The Social Contract*

Oil revenues have provided a substitute for democracy in the oil exporting countries of the Middle East (Noreng 1997:253). The discovery of oil gave the rulers direct access to external revenues. Where these revenues earlier had to come from the population, through the merchants, who in turn exacted a political price, the rulers now received revenues independently. This independence from social groups in the society is almost uniquely connected to oil. Almost any other export involves accommodation between the rulers and the elite who control the workforce and extract surplus revenues. “The merchants subsidised the rulers, while in return the rulers protected the merchants’ trade” (Herb 1999:57). In the oil-exporting countries, the elites that rulers depend on are not locals, but rather multinational companies. This freed the rulers from their historical, economically-based dependence on merchants (Crystal 1990:6-7). It is claimed that the rulers bought off the merchants, by favouring them in the state’s distributive policy. They gave up political power in exchange for economic privileges. This arrangement has been called the social contract; as long as the rulers “stick” to their part of the deal, i.e. continue to offer economic welfare to their citizens, it is assumed that the citizens will continue to offer political support to the rulers.



According to the rentier theory, this ability of the rulers to buy off any political opposition that might arise is the main obstacle to the rise of democratic institutions.

## 3.2 Approaching the Problem

In this thesis I intend to use the rentier theory to illustrate how the rulers use the oil economy as an instrument in securing political stability in the United Arab Emirates. To be able to analyse the impact of oil on the political stability of the country, I wish to examine the social contract between the rulers and the ruled. Since there has been no serious political opposition in the history of the United Arab Emirates (Herb 1999:178; Foley 1999:1), I assume, according to the rentier theory, that the citizens' economic welfare has not been worsened. On the other hand, since a rentier economy relies predominantly on rent, a drop in the oil revenues will lead to a drop in government revenues and have economic consequences for the citizens. Therefore, one can expect the rise of a political opposition if government revenues are low, given that this will have a direct effect on the economic welfare of the citizens.

The following must be considered when analysing the rentier model in the case of the UAE. The UAE is, compared to the other Gulf states, unique in especially one way. It is the only state in the Middle East with a federal structure. The political stability, I argue, cannot be understood without analysing the rentier theory on two levels; the state-citizen level and the federal level. On the state-citizen level I refer to the relationship between the citizens and the ruling family (ies). On the federal level I refer to the relationship between the individual emirates, and I argue that the ruler is the ruling family in Abu Dhabi, and the ruled are the ruling families in Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah and Fujairah. Dubai is a special case, and will be dealt with in chapter 7. My assumption is that there exists no organised domestic political opposition on the state-citizen level, but that there is some tension on the federal level. To approach the problem, I will initially deduce two hypotheses on the state-citizen level, and secondly deduce the hypothesis concerning the federal level.

### 3.2.1 Hypothesis 1

The internal stability of the Gulf monarchies has been remarkable given the high level of regional conflict and the instability of other countries in the region (Byman and Green 1999:1). Adherents of the rentier theory attribute this stability to the political economy created by oil rent. Oil rent gives the rulers the opportunity to avoid an introduction of income tax, while at the same time ensure the economic welfare of the citizens. “The conventional role of the state as provider of public goods through coercion – mainly taxation – is now blurred in the Arab oil states by its role as a provider of private favours through the ruler’s benevolence” (Beblawi 1990:89). Free education, health services, national and social security, heavy subsidies on water and electricity, and almost guaranteed employment in the state bureaucracy are offered to nationals, and no formal obligation is demanded in return, not even income tax. The social rights are, however, to take precedence over the citizens’ political rights (Longva 2000:183).

Despite the fact that oil revenues have fluctuated, the government continues to subsidise welfare goods. The government is not willing to take the risk of decreasing government expenditure, in times of low oil prices. My initial hypothesis concerns state expenditure on welfare goods towards the citizens of the UAE:

*The United Arab Emirates is a rentier state, if we can show that the government allocates invested income to cover the state’s expenditure, and secure the welfare of its citizens, instead of demanding income tax or reducing subsidies on important welfare goods.*

### 3.2.2 Hypothesis 2

“The juxtaposition within Arab oil states of a rentier economy and a productive economy is paralleled by the coexistence of two social communities: nationals and expatriates. Expatriates are called upon to help fill the gap in available manpower in oil states. More often than not, these expatriates assume productive activities to satisfy the growing needs of the society” (Beblawi 1990:95).

Non-nationals constitute the majority of the UAE population, and they dominate all sectors of the economy. They are, however, not ruled in the sense that UAE citizens are, because they do not obtain a UAE citizenship and the social rights that follow such a citizenship. The access to foreign labour provides the UAE citizens with highly advantageous labour markets, in the sense that expatriates fill the gaps, wherever nationals are unqualified or unwilling to work. This has resulted in a rentier mentality among the citizens, i.e. an assumption that economic behaviour is not based on the usual work-reward causation, as in a production economy. The nationals feel payment as a rightful share of the wealth, and not tied to job performance. Thus, there is no need to take on the work that can be performed by non-nationals. The second hypothesis in this thesis concerns the use of foreign labour in the state’s welfare policy towards the UAE citizens:

*The UAE is a rentier state, if we can show that the government provides nationals with jobs, which the nationals find acceptable, and use foreign labour to fill the resulting gaps in the labour market.*

### 3.2.3 Hypothesis 3

“Since the creation of the UAE there have been doubts over whether its federal structure could withstand traditional rivalries both within and between the different ruling families. Abu Dhabi is the financial powerhouse within the federation and the smaller emirates need its economic support. Abu Dhabi has tended to push for closer federation to cement its position”.<sup>21</sup> Hydrocarbon reserves, and thus revenues, are not equally distributed between the emirates. Wealth, political and economic power, and the level of economic development are therefore disproportionate among them.<sup>22</sup> Abu Dhabi is the wealthiest of the seven emirates, and thus has the political power. The third hypothesis states that the ruling families do not oppose the ruling family of Abu Dhabi, because of Abu Dhabi’s benevolence. Abu Dhabi, on the other hand, does not demand contributions to the federal budget from the smaller emirates, because they wish to maintain political power within the federation. My third and final hypothesis concerns the social contract between the ruling families of the UAE:

*The United Arab Emirates is a rentier state, if we can show that Abu Dhabi subsidises the smaller emirates, instead of requiring a contribution from them to the federal budget. In return, the Abu Dhabi ruling family requires loyalty from the other ruling families.*

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<sup>21</sup> The Economist Intelligence Unit; UAE Country Profile 2000:4.

<sup>22</sup> <http://www.tradeport.org/ts/countries/uae/trends.html>. 19.12.01

## **4 The UAE: The Oil Dimension**

The rent in the UAE refers to the federation's oil and gas revenues. Ever since oil was found in large quantities in the Abu Dhabi emirate in 1960, oil revenues have had an impact on life in the UAE. The Arab monarchies of the Gulf were relatively poor before the oil boom, compared to neighbouring agricultural societies. The poor governments could not provide the population with social services. Oil changed this picture. The sudden wealth of the local governments (the ruling families) enabled the introduction of an extensive welfare system. In addition, these governments became the dominant players in the economy.

This chapter is divided into three main parts, though they are not mutually exclusive. The dominance and development of oil revenues in the UAE's accounts is the focus of the first part, while the UAE economic development with its dependence on foreign labour is central in the second part of the chapter. The third part draws attention to the federal character of the United Arab Emirates, in addition to the role of the state in the economy. The chapter lays the empirical basis of the analyses in chapters 5, 6 and 7.



## 4.1 Oil Dependency

The United Arab Emirates produces today 12,5% of the Persian Gulf's oil supply<sup>23</sup> and has nearly 98 billion barrels of proven oil reserves. In addition, it has the fourth largest proven world gas reserves, after Russia, Iran and Qatar. This makes the UAE one of the wealthiest states in the world. During the 1980s, when the oil revenues' share of the total revenues were above 90%, the UAE managed, in 1985, to reach the highest GDP per capita in the world.

The oil revenues' share of the total UAE revenues is decreasing. During the last twenty years they have declined from 90% to approximately 60% of the total revenues. The oil revenues' share of the total revenues has not only fallen due to low oil prices. The UAE economy has become more diversified. Massive investments have pushed the non-oil sector to almost two thirds of the GDP, against less than 30% in the early 1970s.<sup>24</sup> Although the UAE is moving towards a more diversified economy, the oil sector still represents a particularly high percentage of GDP, today around 30%. "It goes without saying that in such circumstances any disruption in oil production, distribution and/or consumption will be disastrous, not only for the development but also for the very survival of these countries" (Ayubi 1995:225).

In table 4.1 The Consolidated Government Finance Account is presented. This account includes the federal account in addition to the local governments' account. The Consolidated Government Finance Account gives us an indication of the financial situation in the UAE. We must, though, be aware of the problems related to the published consolidated accounts. They are thought to underestimate the individual emirates' spending.<sup>25</sup> The accounts of the four smaller emirates (Ras al-Khaimah, Ajman, Umm al-Quwain and Fujairah) are not even included.

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<sup>23</sup> <http://www.eia.doe.gov/emeu/cabs/pgulf.html> 20.11.01.

<sup>24</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=38653>. 23.01.02.

<sup>25</sup> The Economist Intelligence Unit; UAE Country Profile 2000:50.

**Table 4.1. The UAE Consolidated Government Finance Account**

In Millions of US Dollars.

	<b>Total revenues</b>	<b>Oil and gas revenues</b>	<b>Total expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Oil revenue share %</b>
<b>1981*</b>	13,761	12,385	12,088	1,753	90%
<b>1986</b>	5,557	4,864	9,506	(3,949)	87,5%
<b>1987</b>	5,634	4,313	10,220	(4,586)	76,6%
<b>1988</b>	5,664	4,202	9,855	(4,191)	74,2%
<b>1989</b>	7,455	6,247	10,380	(2,925)	83,8%
<b>1990</b>	11,244	9,707	14,563	(3,319)	86,3%
<b>1991</b>	13,030	10,867	16,196	(3,166)	83,4%
<b>1992</b>	12,573	10,063	14,201	(1,628)	80%
<b>1993</b>	10,492	8,247	14,878	(4,386)	78,6%
<b>1994</b>	10,205	7,816	14,968	(4,763)	76,6%
<b>1995</b>	11,586	8,726	16,926	(5,340)	75,3%
<b>1996</b>	13,956	10,081	20,110	(6,154)	72,2%
<b>1997</b>	15,301	11,202	17,533	(2,232)	73,2%
<b>1998</b>	11,630	6,943	19,461	(7,831)	59,7%
<b>1999</b>	11,916	7,639	19,608	(7,692)	64,1%

Source: International Energy Agency; Middle East Oil and Gas, 1995 and The UAE Central Bank (<http://www.cbuae.gov.ae/Statistics/consGovF.html>) and (<http://www.cbuae.gov.ae/DynamicGrowthB.html>)

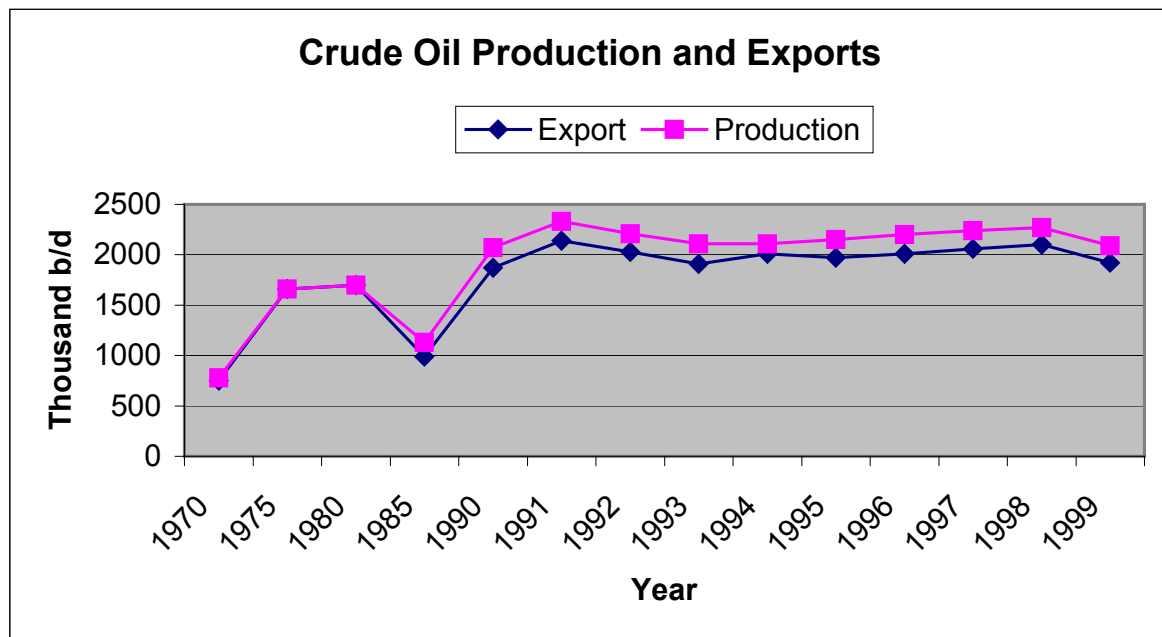
\* Consolidated budget, not account.

There is little transparency in the UAE budgets, and an article published in the MERIA Journal from 1999 estimated that 29% of the UAE's oil revenues between 1990-1994 did not appear in national accounts (Foley 1999). This reflects the close ties between the ruling family and the government. A source in one of the federal ministries in the UAE informed me that the revenues in Abu Dhabi, the most oil-wealthy of the seven emirates, were divided into three. One part goes to the

emirate, and this is the part that is shown on the emirate's budgets, one part goes directly to the ruling family, and one to the Abu Dhabi Investment Authority (ADIA) for further investment. This explanation seems to be in accordance with the MERIA article.

The rent in the UAE is mainly externally derived, as shown in chart 4.1. Japan is the UAE's single largest customer. The UAE is exporting 60 per cent of its oil and 80% of its gas to Japan.<sup>26</sup> After Japan, Korea, India and Singapore are the main recipients of the UAE oil export.

**Chart 4.1. UAE Crude Oil Production and Exports**



Source: Arthur Andersen/ Cambridge Energy Associates; World Oil Trends 2000.

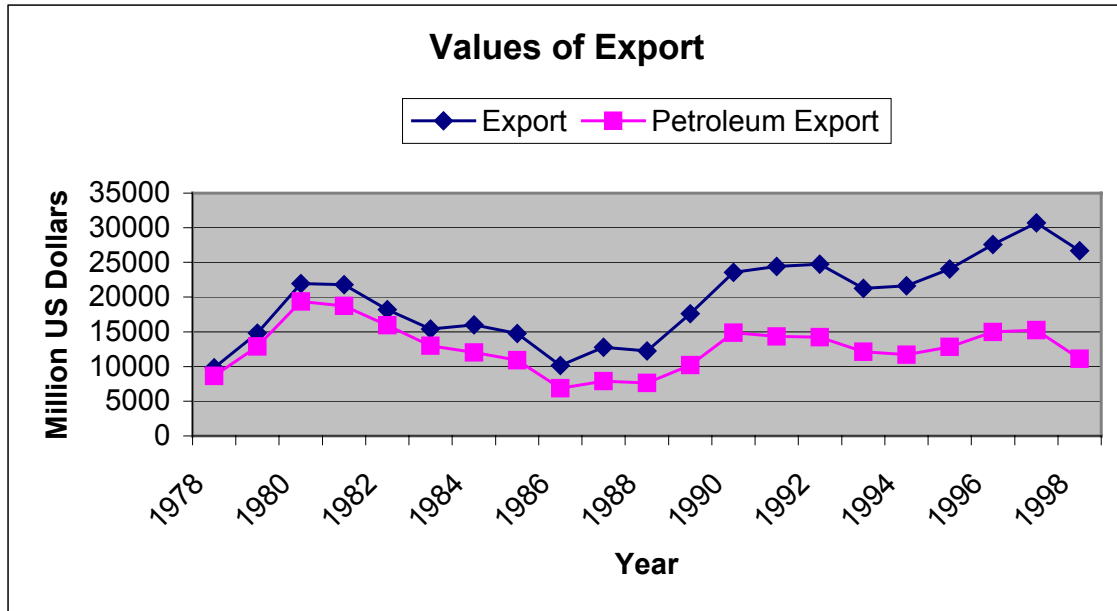
See Appendix 1.1 for specific figures.

In 1978 the petroleum export accounted for 88% of the UAE's total export, while in 1999 it had fallen to 42%, as shown in chart 4.2. Liquefied natural gas (LNG), alone, accounts for about 5% of the total UAE export earnings. Although the petroleum export's share of the total export has been halved in a period of twenty

<sup>26</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=34468>. 01.12.01.

years, the UAE economy must still be considered to be an economy heavily dependent on oil.

**Chart 4.2. Values of UAE Export**



Source: The OPEC Annual Statistical Bulletin 1998 and the OPEC Revenues Fact Sheet.<sup>27</sup>

See Appendix 1.2 for specific figures.

## 4.2 The UAE Economy

The UAE economy is indeed an oil-based economy, and therefore as 'distorted' as other one-based economies (Ayubi 1995:225). The oil revenues dominate the state

revenues, yet only 1-2 per cent of the labour force is involved in the generation of it. The majority of the population is, however, involved in the distribution and the utilisation of the revenues.

The oil price increase at the beginning of the 1970s led to investments in industry, infrastructure and services, which generated a demand for labour that exceeded local supply (Seccombe 1988:154). It did so to such a degree, that foreign labour not only complemented the national workforce, but also became the primary, dominant workforce in all sectors of the economy (Kapiszewski 2001:4).

The Gulf monarchies invested in three major fields (Winckler 2000:238). First on the list was the development of the infrastructure system. Roads, highways, airports, telecommunication networks, and governmental ministries were built, transforming the states from developing to developed countries. Second, the Gulf monarchies invested in the industrial sector, to ensure a long-term high level of per capita income and GDP, in a time with fluctuating oil prices. Third, substantial improvements were made in the area of social services, including health care and education, and housing facilities.

To implement these ambitious development plans and investment projects, the Gulf monarchies imported labour from neighbouring Arab states, Asia, Europe and North America. The import of foreign labour was, however, only meant to be temporary. The Gulf authorities thought that, in due time, the national populations could provide the necessary knowledge to fill the expatriates' place. However, the large-scale subsidies on welfare goods such as education, housing, health care and food, reduced the willingness of nationals taking on manual work, or taking unpleasant or difficult jobs (Richards and Waterbury 1996:369).

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<sup>27</sup> <http://www.eia.doe.gov/emeu/cabs/opecrev.html> 20.11.01

The foreign workers were, however, not just unskilled and semiskilled workers, but also technicians, experts and other professionals. This is a rather unique composition, compared to immigration flows to other countries.

There exists, though, no free flow of foreign labour. A foreign worker may not enter the country without the authorisation of a local sponsor (Ayubi 1995:226). The nationals' control with this process gives them highly advantageous labour markets, in addition to economic benefits. Most nationals work in the public sector, but they are usually involved in the private sector as well, as sponsors or joint-owners of foreign businesses (Kapiszewski 2001:85).

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## 4.3 The Federal Character

### 4.3.1 *The Individual Emirate Owns the Oil*

The fact that the United Arab Emirates is a federation complicates the discussion on the rentier theory. Even though some of the oil revenues are allocated through the federal budget, the natural resources are the property of the individual emirates.

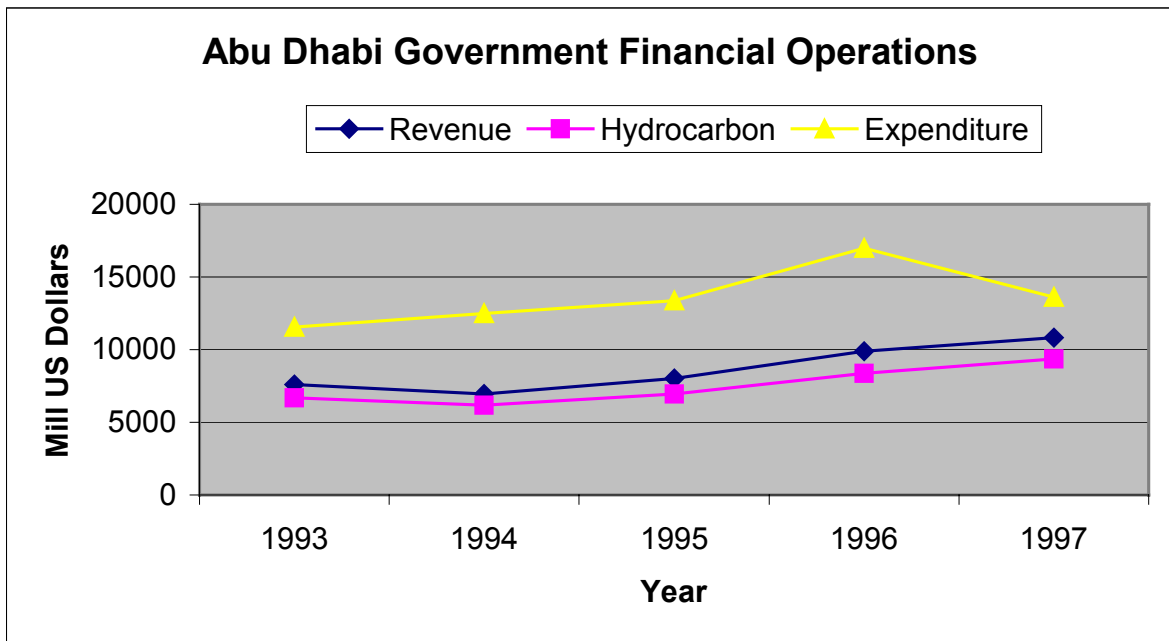
Abu Dhabi, Dubai, Sharjah and Ras al-Khaimah are the only emirates that have proven oil and gas reserves. The UAE produced a total of 2 280 thousand b/d (barrels per day) in 1998. Abu Dhabi, alone, produced 2 075 thousand b/d or 91% of the total production. Dubai's production is merely 10% of that of Abu Dhabi, with 200 thousand b/d, while Sharjah and Ras al-Khaimah's share together is only 5 thousand b/d.

92% of the federation's gas reserves are located in the Emirate of Abu Dhabi, while only 2% are located in Dubai. Dubai's gas production is not even enough to cover domestic use. Sharjah owns 5% of the UAE's gas reserves, which is also utilised domestically. Ras al-Khaimah holds the remaining 1% of the gas reserves.<sup>28</sup> This reflects the financial situation in the individual emirates. In the charts below we can see the financial operations of the four emirates from 1993 to 1997.<sup>29</sup>

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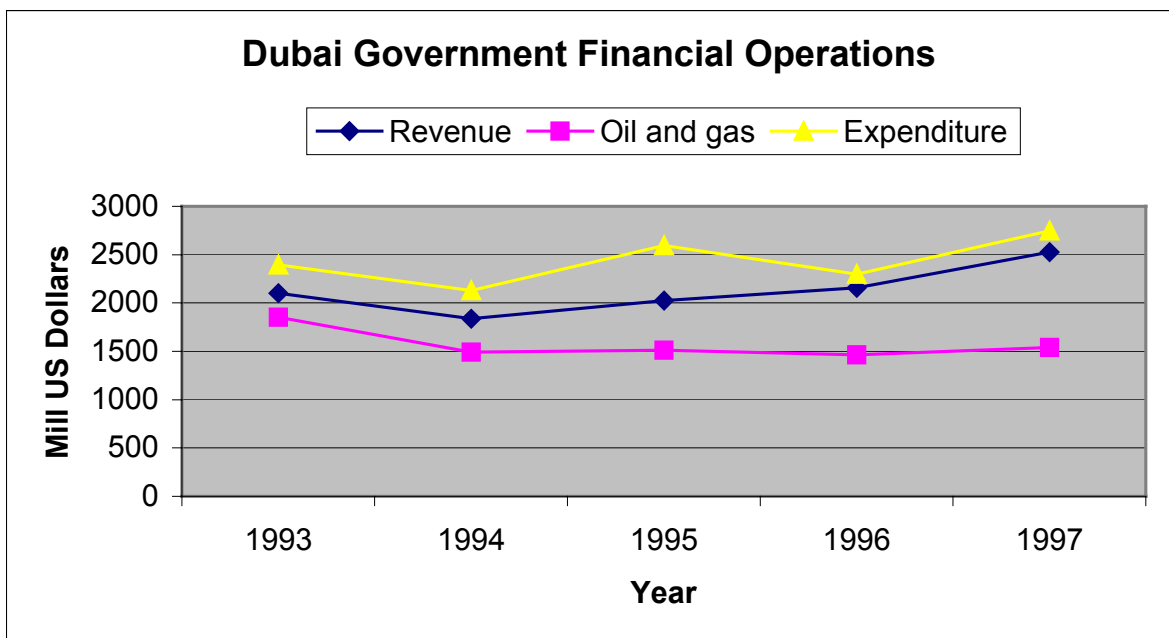
<sup>28</sup> [http://www.uae.gov.ae/Government/oil\\_gas.htm](http://www.uae.gov.ae/Government/oil_gas.htm). 13.11.01.

<sup>29</sup> Ras al-Khaimah only the years 1995-1996, and without the figures from oil and gas.

**Chart 4.3. Abu Dhabi**

Source: IMF Staff Country Report No. 98/134.

See Appendix 1.3 for specific figures.

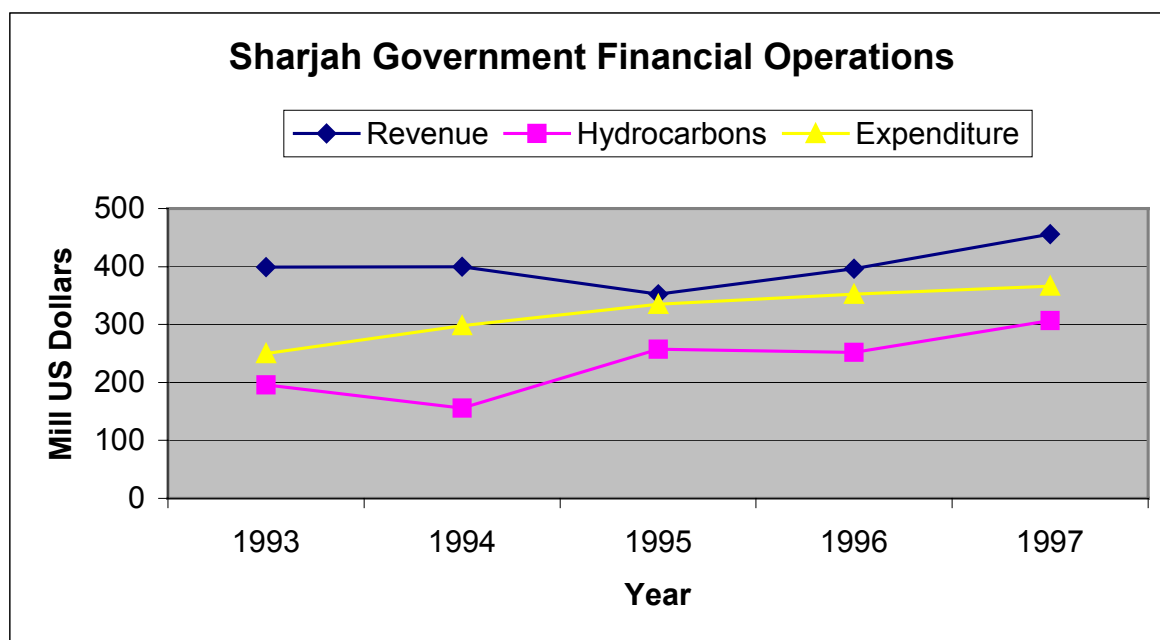
**Chart 4.4. Dubai**

Source: IMF Staff Country Report No. 98/134.

See Appendix 1.4 for specific figures.



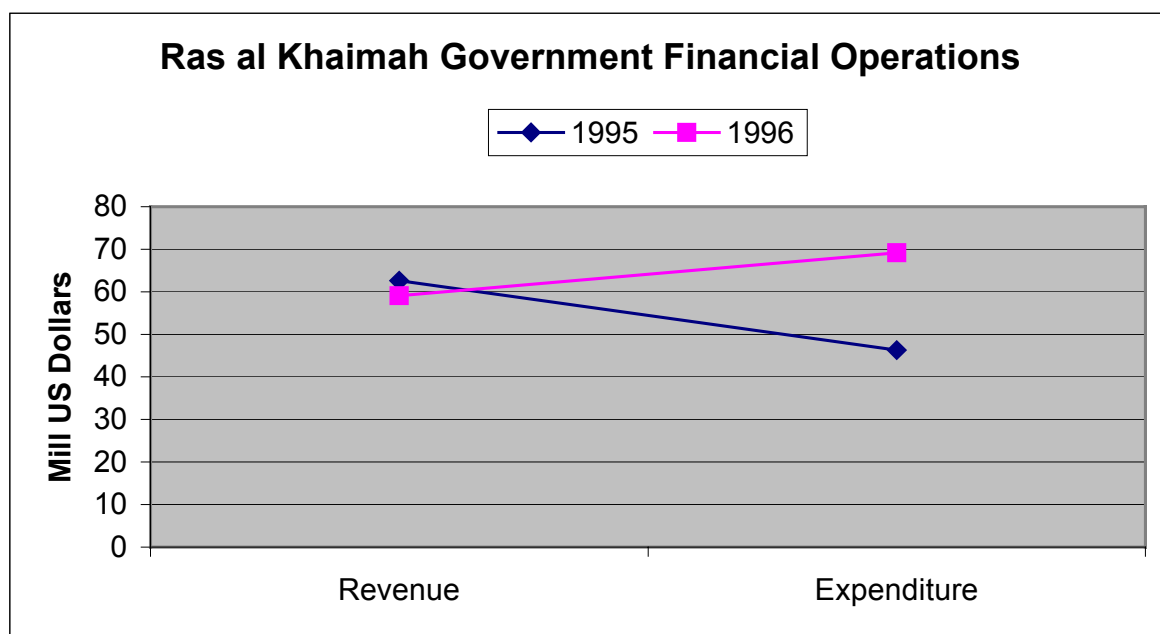
Chart 4.5. Sharjah



Source: IMF Staff Country Report No. 98/134.

See Appendix 1.5 for specific figures.

Chart 4.6. Ras al-Khaimah



Source: IMF Staff Country Report No. 98/134.

See Appendix 1.6 for specific figures.

The problem related to the figures above, is that we can only examine the years 1993-1997, and only the figures from these three (four) emirates. The local governments are not known to provide any account for their revenues and expenditure.<sup>30</sup> It has been said, that the smaller emirates do not publish their accounts, because they are sensitive to the fact that they receive large subsidies from Abu Dhabi.<sup>31</sup> The Emirate of Abu Dhabi is, however, not known to publish their accounts either.

During my visits to the UAE, I did not manage to unearth local governments' accounts. First of all, even the UAE Central Bank did not possess the smaller emirates' accounts. A source in the Central Bank informed me that the accounts were considered to be part of the federal account. Accordingly, they do not have considerable revenues of their own. In addition, my questions regarding the individual emirates' economies were usually not welcomed. I was told that this was not interesting for the UAE economic development, underlining the fact that the relationship between the emirates is a sensitive issue.

Charts 4.3-4.6 tell us that oil dominates the economy in the case of Abu Dhabi and Dubai. Abu Dhabi's hydrocarbon revenues almost equals the emirate's total revenues, i.e. the emirate is practically 100% dependent on oil revenues. In Dubai the situation is slightly different. In 1993 the revenues from oil and gas represented 88% of the total revenues, while in 1997 it had declined to 61%. Sharjah, on the other hand, is a difficult task. Hydrocarbons' share of the emirate's total revenues tends to vary significantly during these years. The hydrocarbon revenues, however, tend to be much lower than in the two other emirates. In addition, the federal contributions are not taken into account in these charts. My conclusion is therefore that it is impossible to tell whether oil dominates the Sharjah economy. Chart 4.6, concerning the Government of Ras al-Khaimah's financial operations, does not

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<sup>30</sup> The Economist Intelligence Unit; UAE Country Profile 2000:50.

<sup>31</sup> The Economist Intelligence Unit; UAE Country Profile 2000:50

include hydrocarbons. Above, we saw that Ras al-Khaimah has 1% of the proven gas reserves in the federation. In addition, it has 400 million barrels of proven oil reserves.<sup>32</sup> We also know that Ras al-Khaimah and Sharjah together produced 5 thousand b/d in 1998. The most obvious conclusion is that Ras al-Khaimah's oil-production is so small that it is not included in the government's financial operations.

The fact that the economy of the UAE is becoming more diversified, as we saw in the Consolidated Government Finance Account, seems to lie in the Dubai financial operations. One explanation is that Dubai has become the 'Middle East's Hong Kong'. Dubai has been a trade centre for decades, and therefore has enhanced opportunities to diversify its economy, compared to Abu Dhabi. Another explanation is that Abu Dhabi has proven oil reserves for an estimated 100 years, while Dubai only has proven oil reserves for about 5-10 years, though the estimates differ. Abu Dhabi's oil revenues tend to become a substitute for other income, rather than a supplement (Noreng 1997:135).

#### 4.3.2 *The Economic Role of the State*

The economic role of the state is particularly large and powerful in the United Arab Emirates. The local governments in Abu Dhabi and Dubai are the main recipients of the oil revenues. Since the ruling family practically *is* the government in the UAE, it may be more correct to say that it is the ruling families that are the recipients of the oil revenues. The government owns many of the major industrial corporations in the countries, but most important, they own the national Oil Company (Gause 1994:51). In Abu Dhabi, the government-owned Abu Dhabi National Oil Company (ADNOC) is by far the largest oil company. ADNOC's share of the total UAE crude oil production is about 50%.<sup>33</sup> In addition, the

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<sup>32</sup> [http://www.uae.gov.ae/Government/oil\\_gas.htm](http://www.uae.gov.ae/Government/oil_gas.htm). 13.11.01.

<sup>33</sup> Energy International Agency; Middle East Oil and Gas 1995:338.

ADNOC group includes 17 companies, which deal with all phases of the oil and gas production in the emirate. The ADNOC group is controlled and supervised by the Supreme Petroleum Council (SPC), which is responsible for formulating the emirate's petroleum policy.<sup>34</sup> In addition to ADNOC's 50% share of the total oil production, the government receives royalties from, and enters into agreements on leasing land, with international oil companies. The main operators in Dubai are the government-owned Dubai Petroleum Company, and Dubai Natural Gas Company. The government's control of the national Oil Company determines its overall control of the entire economy (Noreng 1997:130).

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<sup>34</sup> [http://www.uae.gov.ae/Government/oil\\_gas.htm](http://www.uae.gov.ae/Government/oil_gas.htm). 13.11.01.

## 4.4 Concluding Remarks

The UAE economy relies predominantly on oil, though the economy has become more diversified during the last decade. The creation of the wealth centres round a small fraction of the society, while the government allocates the wealth to the UAE citizens.

The economy of the UAE is dependent on foreign workers. The development projects that started with the oil boom in the beginning of the 1970s would not have been possible to conduct without the access to foreign labour. The non-national population, however, continue to dominate the economy of the UAE, despite the fact that many development projects are completed.

The individual emirates own their natural resources. Abu Dhabi and, to a certain extent, Dubai are the two single emirates with a considerable amount of natural resources. The oil revenues are, however, distributed to the smaller emirates through the federal budget.

## 5 The Social Contract Between the UAE Citizens and the Ruling Families

In the final part of this thesis, which includes chapters 5, 6 and 7, I will discuss the political consequences of having a rentier economy. The rentier theory predicts that there is a social contract between the rulers and the ruled.<sup>35</sup> I intend to analyse the relationship between oil and political stability, by examining this social contract. The rulers offer the ruled economic welfare in exchange for political support, without imposing income tax. My first and second hypotheses concern the social contract between the rulers of the UAE and the UAE citizens, while the third hypothesis concerns the social contract between the ruling family in Abu Dhabi and the ruling families of the smaller emirates.

In this chapter I will concentrate on how the rulers uses the oil economy to secure the economic welfare of the citizens. The following hypothesis is extracted:

*The United Arab Emirates is a rentier state, if we can show that the government allocates invested income to cover the state's expenditure, and secure the welfare of its citizens, instead of demanding income tax or reducing subsidies on important welfare goods.*

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<sup>35</sup> For a discussion of this contractual relationship from a perspective of political theory, see Rania Maktabi's thesis: "The Gulf Crisis (1990-91) & the Kuwait Regime: Legitimacy and Stability in a Rentier State" (1992).

## 5.1 Fluctuating Oil Revenues

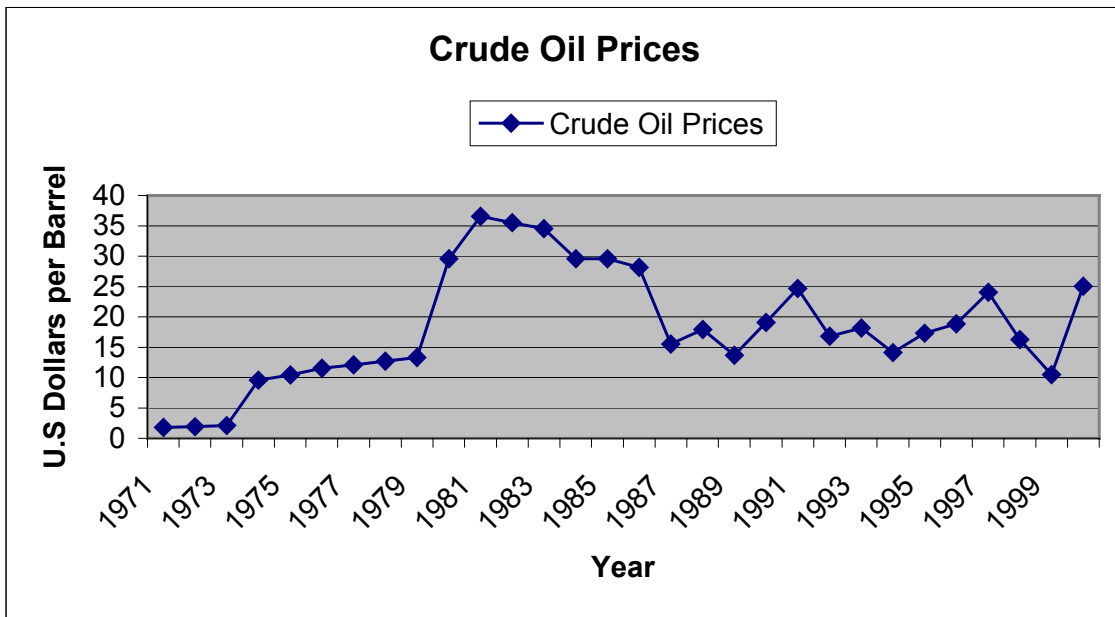
The oil revenues have provided the rulers of the Gulf states with a unique opportunity. They have been able to build a welfare state, without demanding tax from the population. In table 4.1 (page 42) we saw that the oil revenues share of the total revenues were 90% in 1980, while decreasing to 80% in 1992, and below 60% in 1998. There should be little need to state that “oil is the mainstay of the UAE economy and the major driving force of economic activity”.<sup>36</sup> Any negative development will have direct implications on the country’s financial situation and on the policy of the state.<sup>37</sup> Hence, the economic welfare of the citizens is closely related to the oil prices and the state’s oil revenues. The oil prices have fluctuated since the beginning of the 1970s, which in return has resulted in variable oil revenues.

The charts presented below highlight the words: “...the rentier economy tends to be much more uneven over time than industrial income. This is a major economic problem for all oil exporting countries” (Noreng 1997:112). In January 1981 Abu Dhabi’s Murban was priced at 36,56 US Dollars per barrel. Six years later the price was less than half of the record year of 1981. During the 1990s the price reached its height in 1997 with 24,06 US Dollars per barrel. However, at the end of 1997, the prices started to fall and reached the bottom in 1999 at only 10,50 U.S Dollars per Barrel. In 2000 the price again passed 20 Dollars per barrel, and have been rather stable, despite the terrorist attack in New York and in Washington on 11 September 2001.

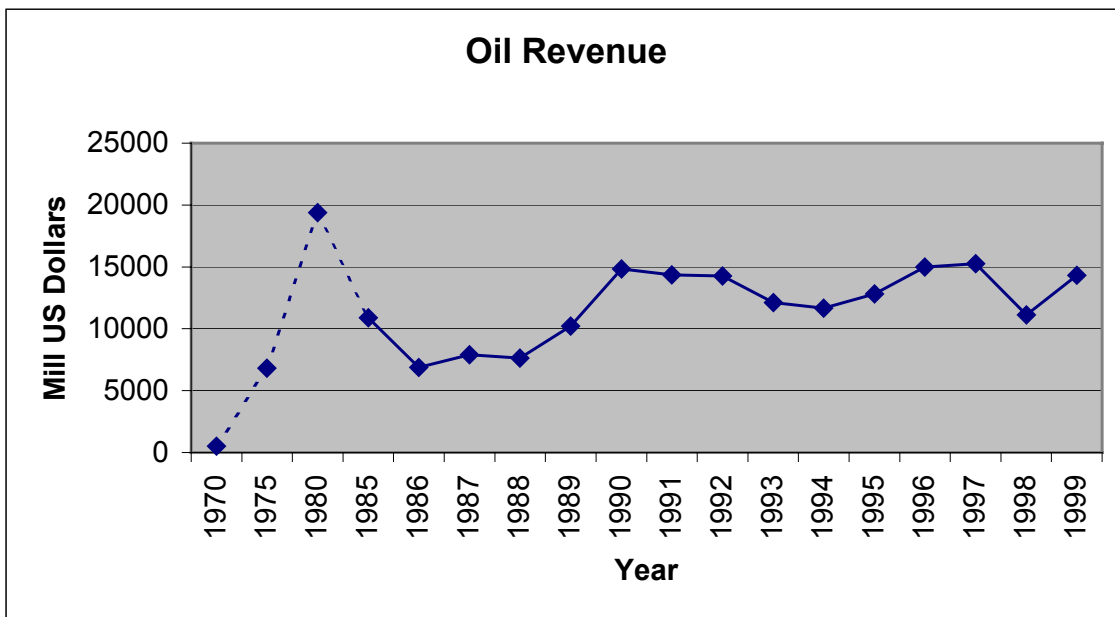
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<sup>36</sup> UAE Economy and Future Challenges. A UAE Central Bank Report 26.11.98.

<sup>37</sup> Annual Report of the UAE Central Bank 1983.

**Chart 5.1. UAE Crude Oil Prices**

Source: Energy Information Administration: Annual Energy Review 2000 and Energy Information Administration; International Energy Database, January 2001.<sup>38</sup> See Appendix 1.7 for specific figures.

**Chart 5.2. UAE Crude Oil Revenue**

Source: Arthur Andersen/Cambridge Energy Research Associates; World Oil Trends 2000.

See Appendix 1.8 for specific figures.

<sup>38</sup> Figures from 1971-1980 is Saudi Arabian Light-34\* API. Figures from 1980-2000 is Murban-41\*API (UAE). The Murban is priced higher, due to higher API. The crude oil prices are for the available date that is closest to January 1 of the year.



The individual emirates own the oil. Some of the oil revenues are, however, distributed through the federal budget, though through emirate contributions, as shown in table 5.1. The Emirate of Abu Dhabi contributed with more than 90% of the total emirates' contributions in 1998 and 1999. Dubai is the only other emirate that contributed to the federal budget. Since the federation does not own oil the federal revenues are very dependent on the benevolence of the ruling family of Abu Dhabi. Hence, the revenues are indirectly dependent on oil revenues.

**Table 5.1. Federal Government Revenue**

In Millions of US Dollars.

	<b>1998</b>	<b>1999</b>
<b>Total revenue</b>	<b>5 346</b>	<b>5 562</b>
Emirate Contributions	3 727	3 727
Abu Dhabi	3 401	3 401
Dubai	326	326
Ministry revenue	1 619	1 835

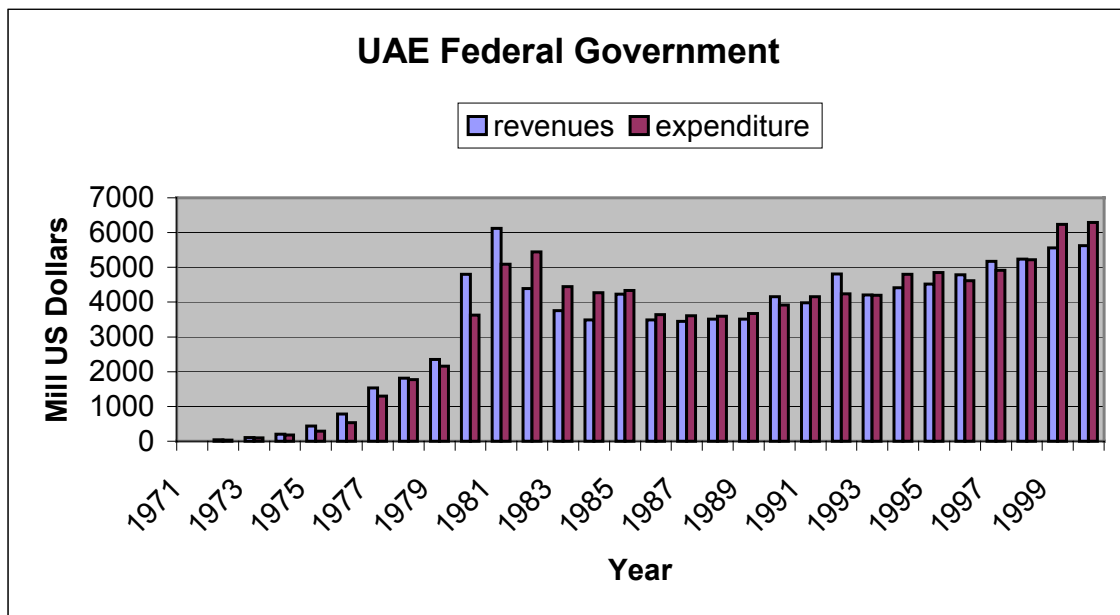
Source: The Economist Intelligence Unit; UAE Country profile 2000.

The fluctuating oil prices and oil revenues have been a problem for oil-dependent states like the UAE. State planning is difficult in such an environment. In chart 5.3 below, we can see clear indications that federal revenues have the same pattern as the UAE's oil revenues (chart 5.2). State expenditure is bound to be effected when 60-90% of state revenues is derived from oil.

## 5.2 Federal Expenditure

The federal character of the United Arab Emirates makes it rather difficult to give an exact calculation over the total state expenditure, especially as long as the local governments' budgets are not public information. The federal budget, which is published, is only part of the total picture, since the individual emirates carry out some of the spending. The use of the federal revenues will, however, give us an indication, since it is the rulers of each emirate who approve the federal budget. In addition, the main instrument of development policy is the federal budget, which is essentially concerned with the implementation of infrastructure projects and important welfare posts such as health, education, water and electricity (Ayubi 1995:381). In chart 5.3 the UAE Federal Accounts from 1972 until 2000 are presented.

**Chart 5.3. The UAE Federal Government Revenues and Expenditure**



Source: IMF; Government Finance Statistics Yearbook 1981, 1988, 1993, 1996 and 2000, The Economist Intelligence Unit; Country Profile 2000, and International Energy Agency; Middle East Oil and Gas 1995.

\* The figures from 1995 are budget, not account.

See Appendix 1.9 for specific figures.

The UAE financial policy at the end of the 1970s and in the beginning of the 1980s was marked with an expansion in public expenditure and a growing government

role in public life.<sup>39</sup> The expansion was a result of the increasing oil revenues, and was aimed at important welfare needs of the population such as education, health, housing, electrical and water utilities, and other developing projects, like improving the infrastructure. From 1982, however, when oil revenues started to decline, public expenditure decreased as well. The development forced the UAE government to adopt a restrictive financial policy.<sup>40</sup> This new policy did, however, not affect the population's basic needs. The decrease in public expenditure in the following years had only an effect on new development projects. Fortunately, many of the welfare projects had been achieved in the previous period. Despite the decrease in federal expenditure, the expenditure exceeded federal revenue, resulting in a deficit in the federal accounts.

At the end of the 1980s public expenditure again started to rise, with increasing oil revenues, and has been rather stable, though slightly increasing up until today. The UAE maintains an extensive cradle-to-grave welfare system for UAE nationals. All UAE nationals are entitled to three plots of land, one for housing, one for planting and one for business activities (Heard-Bey 1996). In addition, they enjoy numerous subsidies on water, electricity, health and education, and interest-free loans. Table 5.2 below tells us that the welfare of the citizens has not been worsened due to low oil revenues. According to under-secretary of Abu Dhabi Finance Department, Jouan Salim, this is not likely to happen either: "Any drop in oil prices will of course not affect our development plan and growth in the future. We don't have such a policy in the UAE".<sup>41</sup> Expenditure on development projects accounted for nearly a quarter of the GDP in 2000, one of the highest in the world.<sup>42</sup>

### **Table 5.2. Federal Expenditure by Function**

In Millions of US Dollars

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<sup>39</sup> Annual Report of the UAE Central Bank 1983.

<sup>40</sup> Annual Report of the UAE Central Bank 1984.

<sup>41</sup> Salim quoted in Gulf News; <http://www.gulf-news.com/Articles/News.asp?ArticleID=38653>. 23.01.02.

<sup>42</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=38652>. 23.01.02.

	GPS/GPO	Education	Health	SSW	HCA	OCSS	ES	Defence	Total
1972	10,9	6,2	1,6	0,5	2,1	0,2	6,8	9,1	37,4
1973	32,2	18,2	6,5	5,2	12,2	0,7	12,7	13,0	100,8
1974	40,7	30,1	14,3	10,0	23,1	4,5	26,4	20,1	169,3
1975	65,8	43,3	29,4	26,4	36,4	7,0	37,4	31,2	276,9
1976	113,8	88,8	37,5	34,0	25,5	17,8	147,6	78,1	543,2
1977	194,2	224,5	116,0	40,0	40,8	30,8	159,3	494,6	1300,2
1978	290,3	261,3	163,1	68,3	23,4	37,5	123,0	786,6	1753,5
1979	204,5	294,2	199,9	67,4	26,6	4,0	137,3	1166,8	2100,6
1980	760,0	425,2	287,4	89,9	51,8	41,1	220,6	1724,3	3600,4
1981		384,4	315,2	128,6	65,1	67,6	280,3	2089,9	3331,0
1982		408,9	388,2	131,3	68,1	74,1	378,6	1979,8	3429,0
1983	1024,8	434,8	343,2	158,5	70,6	103,8	310,8	1918,3	4364,8
1984	1088,5	415,7	263,4	162,9	50,9	108,4	218,5	2246,5	4554,9
1985	756,5	433,1	259,6	124,8	34,9	104,3	205,4	1587,3	3505,9
1986	665,8	444,8	252,8	119,9	27,8	95,9	184,4	1587,3	3378,6
1987	680,7	483,0	248,4	115,2	23,4	95,9	182,5	1587,3	3416,5
1988	663,6	512,7	250,3	114,4	15,8	96,2	158,5	1587,3	3398,8
1989	732,8	546,2	250,6	114,4	15,0	54,8	159,4	1587,3	3460,4
1990	734,7	580,8	271,3	114,4	16,3	100,5	229,1	1587,3	3634,4
1991	725,7	630,3	282,8	143,3	28,6	122,6	384,1	1587,3	3904,7
1992	710,2	678,8	285,5	143,6	40,0	133,8	345,7	1587,3	3924,8
1993	732,0	704,7	310,8	144,4	79,5	137,6	190,7	1587,3	3887,0
1994	801,4	740,4	314,6	143,6	86,9	136,5	229,6	1587,3	4040,3
1995	770,9	782,9	323,9	143,8	63,2	127,8	166,2	1587,3	3965,9
1996	828,7	857,0	338,9	147,4	41,7	90,7	177,3	1641,8	4123,4
1997	935,9	920,1	378,8	180,3	34,9	74,3	175,1	1641,1	4340,4
1998	961,5	924,7	394,8	178,1	63,7	80,9	297,1	1641,1	4541,9

Source: IMF: Government Finance Statistics Yearbook 1981, 1988, 1993, 1996 and 2000.

Clarifications:

GPS/GPO: General Public Services/General Public Order

SSW: Social Security and Welfare

HCA: Housing and Commun. Amenities

OCSS: Other Community and Social Services

ES: Economic Services (Agriculture, Forestry and Fishing, Mining, Manufacturing and Construction, Electricity, Gas, Steam and Water, Transportation and Communication, and other economic services)

### 5.2.1 Federal Expenditure on Defence

The UAE witnessed an enormous growth in the military expenditure during the 1970s, while stabilising from the mid 1980s. Oman, Qatar, Saudi Arabia and the UAE have an exceptionally high military expenditure per capita (Noreng 1997:171). Table 5.2 shows that the military expenditure from the end of the 1970s

accounted for approximately 40-60% of the total welfare contributions in the federal budget. 80% of the UAE's total military manpower and its defence budget, is provided by Abu Dhabi (Foley 1999). The UAE armed forces maintains, however, no more than 64 500 personnel, of whom nearly one-third are expatriates.

According to the MERIA article, written by Foley (1999), the UAE provided US\$ 6.572 billion in assistance to the United States during the 1991 Gulf War.<sup>43</sup> If we take a look at table 4.1 (page 42) and table 5.2, this number cannot have been included in the national account, or the federal budget. The figures are therefore expected to be much higher than shown in the budget.

### *5.2.2 Federal Expenditure on Education*

“It is generally acknowledged in the Gulf region that the long-term prosperity of a nation ultimately depends upon the ability of its people to manage existing resources and develop new ones. Investment in education is an essential component of any healthy society and an essential pre-condition for positive social development” (Yamani 1997:275). These thoughts are also reflected in UAE policies. The vast majority of the UAE population were illiterate in 1971. No wonder that the expenditure on the education sector has steadily risen since 1972. The citizens of the UAE enjoy free education. Nationals were, in the beginning, even given financial inducement for sending their children to school (Heard-Bey 1996:394). The government funds primary and secondary schools in both rural and urban areas, as well as universities in the main cities (Yamani 1997:275). In 1972 there were 16 boys' schools and 12 girls' schools (Heard-Bey 1996:268). Today there are a total of 1060 schools.<sup>44</sup> The first university in the UAE, the United Arab Emirates University in Al Ain (in the Emirate of Abu Dhabi), was established in

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<sup>44</sup> Ministry of Planning; Annual Statistical Abstract (23, 24) Issues. 1998-1999. The number contains both governmental and private schools.

1977.<sup>45</sup> In 1996 there was a total of eight colleges, where graduates could obtain the same grades as university graduates (Heard-Bey 1996:401). These figures and the increasing expenditure on education indicate that the education sector has been a priority sector since it has neither been affected by the oil prices nor the federal government's revenues.

### *5.2.3 Federal Expenditure on Employment*

Although the numbers cannot be easily seen in table 5.2, most nationals are on the government's payroll. Emiratis represented 41% of the labour force in the government bureaucracy, while only 7,8% of the manpower in the private sector in 1998 (Kapiszewski 2001:76). The indigenous labour force has a strong preference for public employment. The remuneration in the bureaucracy is usually twice of that in the private sector (Ayubi 1995:381-382). The government has made an effort to provide all UAE nationals with jobs. The result has been that the state offices have become overcrowded. An increase in unemployment is therefore becoming a major issue in the Emirates, like its counterparts in the Gulf. 12.000 nationals now enter the workforce every year.<sup>46</sup> Although the problem is not as pressing as with its immediate neighbours, an emiratisation process of the UAE economy remains a national objective.<sup>47</sup> From the mid 1980s, the authorities in the Gulf monarchies started to implement a policy of nationalising the labour force (Emiratisation, Bahrainisation, Saudisation, Kuwaitisation). The aim was to gradually reduce the dependence on foreign labour, and replace this manpower with local manpower. Emiratisation has especially been imposed on the banking sector. The government has set an annual minimum of five percent increase in emiratisation of this sector.<sup>48</sup> Within the education sector, the plan is to replace 400

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<sup>45</sup> <http://www.uaeu.ac.ae/uprofile/history.html>. 16.08.02.

<sup>46</sup> The Economist Intelligence Unit; UAE Country Profile, February 2001, p. 18.

<sup>47</sup> Quotas for the employment of nationals. Emiratisation is further discussed in chapter 7.

<sup>48</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=29638>. 18.10.01.

expatriate teachers with UAE nationals.<sup>49</sup> The project is necessary, because of the reluctance of employing nationals. They are considered to be unproductive and cost more than experienced Asian counterparts.<sup>50</sup> The problem is also that only 196,000 of the 600,000 UAE nationals are between the age of 20 and 50. Among these, only 25,000 have degrees and 21,000 are pursuing a higher education.<sup>51</sup> The solution to the problems concerning employment is therefore not as simple as ending the contracts of expatriates and giving their jobs to nationals.

#### *5.2.4 Consequences of High Expenditure*

A drop in the UAE's oil revenues has not led to a decline in the welfare of the UAE citizens. The government has maintained high welfare expenditure, despite fluctuating oil prices. Since the beginning of the 1990s there has even been a steady increase in state expenditure. The result is an annual deficit, both in the federal budget, and in the accounts of the local governments of Abu Dhabi and Dubai. Not one time has the idea of income tax been introduced. Accordingly, the government has welfare as a top priority, despite the fact that public expenditure exceeds public revenue.

### **5.3 Budget Deficits**

The downward trend in the oil prices began in the early 1980s, which in the UAE resulted in the first federal budget deficit in 1982.<sup>52</sup> Almost without exception, the deficit has been annual both in the Federal Budget and in the Consolidated Government Finance Account. The reason why the Consolidated Government Finance Account shows a rather large deficit seems to lie in the Abu Dhabi Financial Operations, and to a certain extent Dubai's Financial Operations. From

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<sup>49</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=17742>. 22.05.01.

<sup>50</sup> The Economist Intelligence Unit; UAE Country Profile, February 2001, p.19.

<sup>51</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=21812>. 10.07.01.

<sup>52</sup> UAE Economy and Future Challenges. A UAE Central Bank Report 26.11.98.

the charts 4.3-4.5 (pages 48-49) we can without difficulty see that Abu Dhabi had by far the highest revenues and the highest expenditure of all the emirates. Abu Dhabi had, however, also the highest deficits. Dubai had some deficits, while Sharjah had no deficits between 1993 and 1997. Sharjah, I assume, has not the same potential to cover the deficit as the two largest emirates, due to their rather small revenues, and therefore prefer to keep an annual surplus.

According to the UAE Central Bank, the UAE's overall deficit is covered by transfers from government-invested income.<sup>53</sup> The forecast revenues do, however, not include investment returns. An explanation of this may lie in the nature of these investments. The annual budget deficits are covered by transfers from the Abu Dhabi Investment Authority (ADIA).<sup>54</sup> ADIA is a public authority, established in March 1976 (Heard-Bey 1996:396), that invests the oil revenues abroad, and is responsible for co-ordinating the emirate's public investment policy (Ayubi 1995:307 and 381). But ADIA is virtually owned by the ruler of Abu Dhabi. It is the ruling family that has a fortune abroad, and not the UAE government itself.<sup>55</sup> Their invested income is therefore only included in the accounts to cover up deficits. To draw a line between government-owned and ruler-owned companies is practically impossible.

In table 5.3 the UAE government's foreign assets are shown. The revenues that ADIA invests are not included in this table. Unfortunately, these figures are therefore extremely misleading. ADIA invests billions of US dollars but produce no public reports.<sup>56</sup> One of my sources has informed me that ADIA has earned more money during the last couple of years than the Abu Dhabi National Oil Company, which produces 50% of the total UAE oil production. Can this be true? Doran (1997:193) states in his article on Economics and Security in the Gulf, that

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<sup>53</sup> <http://www.cbuae.gov.ae/Statistics/consGovF.html>. 05.11.01.

<sup>54</sup> UAE Economy and Future Challenges. A UAE Central Bank Report. 26.11.98.

<sup>55</sup> Unfortunately, I don't have any written sources concerning this fact, but several academics have confirmed it.

<sup>56</sup> Energy International Agency; Middle East Oil and Gas 1995:19.



by some reports, Kuwait is earning as much on foreign investments as from oil revenue itself. This may therefore also be valid for the UAE. The figures concerning the UAE foreign assets are, on the basis of the information above, bound to be higher than table 5.3 shows.

**Table 5.3. UAE Foreign Assets**

In Billions of US Dollars.

1974	1976	1978	1980	1982
0,50	2,31	0,89	2,10	3,62
1984	1986	1988	1990	1992
3,00	3,76	4,69	4,83	5,94

Source: International Energy Agency; Middle East Oil and Gas 1995.

”Until now, oil funds have cemented together the system of the various Gulf states so that, as long as funds have been sufficient to allow for almost everybody to benefit even after the needs of the Royal family and the ‘state’ have been met, order and apparent socio-political peace have been maintained” (Ayubi 1995:240). The UAE has resorted to earnings from its overseas funds to shore up budget deficits instead of borrowing or imposing income tax. As a result, the UAE’s debt has remained a fraction of its GDP, as we can see in table 5.4.<sup>57</sup>

**Table 5.4. UAE External Debt Data.**

In Millions of US Dollars.

	1982	1984	1986	1988	1990	1992	1994	1996	1997
External Dept	7010	10358	9140	10860	11623	10970	12215	10883	12328
Dept % Of GDP	22,9	37,4	42,2	45,8	34,5	31,4	33,3	24,4	26,6

Sources: International Energy Agency; Middle East Oil and Gas 1995, and The Economist Intelligence Unit; UAE Country Profile 2000.

<sup>57</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=35186>. 12.12.01.

The situation in the UAE is in deep contrast to the situation in Saudi Arabia, which relies heavily on domestic borrowing to cover budget deficits, after its massive foreign assets were consumed by two Gulf wars. The Kingdom's domestic debt is almost equivalent to its GDP.<sup>58</sup> The differences in the UAE's and Saudi Arabia's financial situation, can further be seen in their estimated current account balances, as shown in table 5.5 below. The UAE has never experienced a negative balance, not even during the worst oil crises. The UAE is in fact the exception among the oil-producing Gulf states.

**Table 5.5. UAE's and Saudi Arabia's Estimated Current Account Balances**

In Millions of US Dollars.

	<b>1978</b>	<b>1979</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>
<b>UAE</b>	1,692	5,255	10,069	9,207	7,001	5,257	7,463
<b>KSA*</b>	-2,212	10,206	41,503	39,627	7,575	-16,852	-18,401
	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
<b>UAE</b>	6,946	2,370	4,086	2,533	4,549	5,230	1,634
<b>KSA</b>	-12,932	-11,795	-9,773	-7,340	-9,538	-4,152	-27,546
	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<b>UAE</b>	3,043	183	360	1,220	6,850	6,701	2,309
<b>KSA</b>	-17,740	-17,268	-10,487	-5,325	681	257	-11,500

Source: The OPEC Annual Statistical Bulletin 1998.

\* The Kingdom of Saudi Arabia

## 5.4 Concluding Remarks

It is not possible to see any pattern between the fluctuating oil prices and oil revenues, and the welfare of the UAE citizens. The decline in oil prices has not led to a deterioration of the welfare services. The government is willing to maintain public spending, and find other ways of shoring up the budget gaps, instead of imposing income tax or reducing subsidies on important welfare posts. The rise in the federal welfare expenditure after 1990 is a sign that the government is willing to

<sup>58</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=35186>. 12.12.01.

use invested income to cover the demands in the welfare sector. This indicates that the rulers avoid raising taxes, because they are afraid of the political consequences.

The UAE have economic and budgetary problems. However, they are not nearly as bad as those of the remaining Gulf states. The UAE has large natural resources, the second largest economy in the Gulf, and the most developed non-oil private sector.

My first hypothesis appears strengthened, even though limited empirical data weakens the possibility of drawing precise conclusions. The citizens have been loyal to the rulers of the federation, and have in this way kept their part of the social contract. The rulers, on the other side, have continued to offer the citizens economic welfare, even in times of decreasing oil revenues.

## 6 The Role of Foreign Labour

In Anh Nga Longva's PhD thesis in anthropology (1993), on migrant workers in Kuwait, the term 'plural society' is dominant, though with limitations and re-interpretations, since the theory originally was developed by the theorist Joseph S. Furnival, on the European colonies in Southeast Asia. The plural society in Kuwait, and also, in the United Arab Emirates, can be seen as 'a business partnership', "for the sole common interests the sections share among themselves are 'business interests'" (Longva 1993:4). It is the only way in which the different ethnic groups interact with each other.

Kapiszewski (2001:5) describes the situation in the Gulf monarchies as follows:<sup>59</sup> "Small populations with huge oil revenues enabled the establishment of generous welfare programmes for nationals as well as distinct, highly advantageous labour markets for them". The advantageous labour market for nationals would, however, not have been possible without the availability of foreign labour. This chapter will focus on the UAE authorities' policies towards nationals and the labour market:

*The UAE is a rentier state, if we can show that the government provides nationals with jobs, which the nationals find acceptable, and use foreign labour to fill the resulting gaps in the labour market.*

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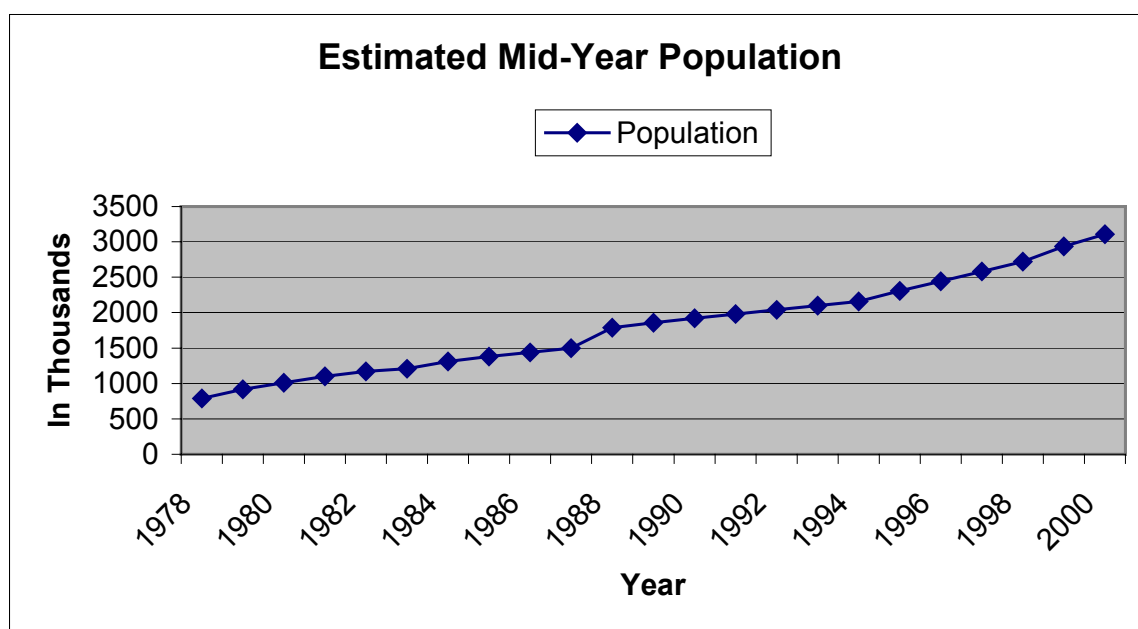
<sup>59</sup> With the exception of Saudi Arabia, who can not be considered to have a small population.

## 6.1 The Composition of the UAE Population

### 6.1.1 A Rapid Population Growth

The UAE population has increased 35 times since 1950.<sup>60</sup> As a result, the United Arab Emirates is now the second largest Gulf monarchy, in total population, and has the largest percentage of non-nationals, and hence the smallest national population in per cent of the total population. The UAE also had the highest rate of non-nationals increase, during the 1970s and early 1980s. In the 1990s, the annual growth rate of the total population was 6,3 per cent (Kapiszewski 2001:36).

**Chart 6.1. The UAE Population 1978-2000**



Source: The OPEC Annual Statistical Bulletin 1998, the UAE Central Bank (05.11.01), and the Ministry of Planning (07.11.01). See Appendix 1.10 for specific figures.

There are several limitations on data concerning the composition of the UAE population. Of the seven emirates in the federation, only Abu Dhabi released regular statistics on migrant workers (Seccombe 1988:170) in the 1980s. In addition, non-nationals tend to be under-enumerated in census results (Birks

<sup>60</sup> The Economist 23.03.02, page 3.

1988:138), due to the fact that the number of illegal workers is difficult to predict. During my stays in the United Arab Emirates, I experienced that the relationship between nationals and non-nationals was a sensitive issue, due to the World Trade Organisation's (WTO) and the International Labour Organisation's (ILO) policies towards the UAE. The tables concerning nationals vs. non-nationals, in this thesis, are therefore secondary data. I personally did not manage to obtain any written information concerning the relationship between nationals and non-nationals. Figures from the last (1995) census concerning this matter have been held away from the public, at least during the last years, when international pressure has been higher.<sup>61</sup> However, despite the limitations on data, the trends of population flows can still be examined.

In the UAE the nationals have represented a small minority since the foundation of the federation. The percentage nationals of the total UAE population is in fact continuing to decline, as we can see in table 6.1. The same is valid for the other Gulf states. The Gulf states are trying to solve the problems this causes, by adapting pro-natalist policies that enlarge the size of national populations. The pro-natalist policy has mainly contained interest-free housing loans, free housing for low-income nationals, allowance for families according to children, full paid maternity leave, and financial assistance to nationals willing to marry local women (Kapiszewski 2001:43). According to the figures in table 6.1, the results have been rather limited.

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<sup>61</sup> The next census will be in the year 2005, even though the aim was to have a census every five years.

**Table 6.1. National and Non-national population of the UAE**

	<b>Nationals (1,000s)</b>	<b>Nationals (%)</b>	<b>Non- nationals (1,000s)</b>	<b>Non- nationals (%)</b>	<b>Total Population (1,000s)</b>
<b>1975</b>	200	30,5	456	69,5	656
<b>1985</b>	342	21,3	1,258	78,7	1,600
<b>1992</b>	531	29,1	1,294	70,9	1,825
<b>1997*</b>	658	24,4	2,038	75,6	2,696
<b>2002*</b>	594	18,0	2,706	82,0	3,300

Source: Bonine (1997); Population Growth, the Labour Market and Gulf Security, page 229, Kapiszewski (2001); Nationals and Expatriates. Population and Labour Dilemmas of the Gulf Co-operation Council States, page 37 and 39, and The Economist 23.03.02, page 11.

\* The figures are estimates.

### *6.1.2 The Expatriate Population*

The composition of the expatriate population has changed since the beginning of the oil era. In 1975 the share of Arabs in the expatriate population was 26%, in 1985 it was reduced to 19% and in 1996 it had declined to only 10% (Kapiszewski 2001:62). The decrease is a result of various factors. First of all, the governments became worried that non-local Arabs would spread pan-Arab ideological ideas that could threaten the existence of the monarchical systems in the Gulf. Second, non-national Arabs were often accompanied by their families, being a heavier economic burden than their Asian counterparts, who extracted lower pay, came alone and were more specialised. Third, the Gulf War may have had an effect as well. The Gulf countries deported Palestinians, because the Palestinian authorities supported Iraq. This situation was of course most pressing in Kuwait, where only 20,000 out of 400,000 Palestinians remained (Longva 1997:245).

The declining share of Arabs in the expatriate population is, however, not in accordance with the UAE Federal Labour Law: “Where national employees are not available, preference in employment shall be given to: 1- Arab workers belonging to an Arab country by nationality. 2 - Workers of other nationalities” (Article 10).

The composition of the population has changed also due to the shift in required occupations. Expatriates from few countries tend to dominate different sectors in the economy. Traders and engineers come mainly from India, Iran and Pakistan, while teachers come from Egypt, Jordan, Palestine or Lebanon, housemaids from Sri Lanka and the Philippines, and unskilled workers from Pakistan, Bangladesh and Yemen. The construction era is mainly over, while the service sector has begun to emerge as the main non-oil contributor to the economy (Kapiszewski 2001:60-61).

In table 6.2 the composition of the non-national population in 1992 is shown. Even though I have some trouble believing that there were no North Americans living in the UAE in 1992, I assume that the figures give us an overall picture. In 1997 the number of Indians in the UAE population had increased to about 1 million, and the number of Pakistanis to around 400 000 (Kapiszewski 2001:65).

**Table 6.2. Non-national population by nationality and state, 1992**



<b>Nationality</b>	<b>Total</b>	<b>Nationality</b>	<b>Total</b>	<b>Nationality</b>	<b>Total</b>
Egyptian	81,800	Pakistani	231,601	North Am.	0
Sudanese	45,900	Bangladeshi	61,100	African	8,000
Jordanians /Palestinians	151,401	Indian	355,501	Other OECD	15,000
Lebanese	34,700	Sri Lankan	60,300	Other	9,600
Syrian	20,800	Filipino	35,600		
Yemeni	27,200	Iranian	61,200		
Other Arab	84,200	Other	10,100		
Arab Sub-total	446,001	Asian Sub-total	815,402	Sub- total	32,600
% Of total expatriate pop	34,5	% Of total expatriate pop	63,0	% Of total expatriate pop	2,5

Source: Bonine (1997); Population Growth, the Labour Market and Gulf Security, page 230.

## 6.2 The Labour Market

### 6.2.1 A Labour Force of Expatriates

Although the population of non-nationals certainly is substantial it is the role of the foreign labour force, which is the most significant (Bonine 1997:240). “As the economies of the GCC countries depend primarily on oil and gas as the main source of state revenues, they also depend on expatriate labour” (Kapiszewski 2001:69).<sup>62</sup>

**Table 6.3. The National and Non-national Workforce**

	<b>Nationals (1,000s)</b>	<b>Nationals (%)</b>	<b>Non- nationals (1,000s)</b>	<b>Non- nationals (%)</b>	<b>Total Workforce (1,000s)</b>
<b>1975</b>	45,0	15,6	251,5	84,8	296,5
<b>1980</b>	53,9	10,3	470,8	89,7	524,7
<b>1985</b>	71,8	10,5	612,0	89,5	683,8
<b>1990</b>	96,0	10,7	805,0	89,3	901,0
<b>1992</b>	93,0	10,7	776,8	89,3	869,8
<b>1997</b>	124,4	9,6	1,165,2	90,4	1289,6

Sources: Winckler (2000); *Gulf Monarchies as Rentier States: The Nationalisation Policies of the Labour Force*, page 240, and Bonine (1997); *Population Growth, the Labour Market and Gulf Security*, page 241, and Kapiszewski (2001); *Nationals and Expatriates. Population and Labour Dilemmas of the Gulf Cooperation Council States*, page 71.

As we can see from tables 6.1 and 6.3, only a fraction of UAE nationals is part of the workforce. This exceptionally low ‘labour force participation rate’ is a result of several factors. Firstly, the percentage of children in the national population is much higher compared to the non-national population (Bonine 1997:240). More than 50 per cent of the local Arabs are under the age of 15 (Ibid 1997:250). In addition, the percentage of female nationals in the workforce is rather low, even though the emirates are witnessing an increase of female nationals joining the

workforce. Women outnumber men in the institute of higher learning, but there are still more illiterate women due to the fact that education became available much later for them. However, higher education is not equivalent to having the privilege of working. Today, approximately 12% of the UAE labour force are women, against 5,3% in 1980 (Kapiszewski 2001:103). The percentage of women in the labour force is, however, higher in the smaller and poorer emirates than in Abu Dhabi and Dubai. Furthermore, there is a smaller amount of working-age males in the labour force than usually found in other countries. Many nationals are in fact able to meet their economic commitments without employment. In addition, nationals enjoy a rather low retirement age.

The situation is, however, changing. Some nationals are having troubles finding a job. In some families, they cannot afford the wife staying at home. This varies between the emirates. Abu Dhabi nationals are not so familiar with this problem, as are nationals of the smaller emirates. In Dubai, however, the change is noticeable. The number of nationals wanting to enter the workforce is increasing every day. The Economist (23.03.02) has estimated that the native workforce in all the Gulf countries will double by 2020.

### *6.2.2 The Sponsorship System*

The sponsorship system or the al-Kafala (Longva 1993:73), existent in the UAE as well as other Gulf states, encourages the exploitation of foreign labour. All foreign workers must have a local sponsor or an agent, to work in the country, or to set up business, which results in an employer-employee relationship between nationals and expatriates. The foreign workers may also be required to pay part of their income to their sponsor. Some UAE nationals have even been known to earn money on supplying visas and sponsorship, without giving employment to foreign

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<sup>62</sup> The Gulf Co-operation Council (GCC), which consists of the six Gulf monarchies (Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE and Oman).

workers, earning US\$ 1362 (1996), only for the privilege of obtaining the necessary work permits (Winckler 2000:250).

The system encourages the flow of illegal foreign labour in the country. In the UAE, illegal residents are estimated at 300 000 at any given time. Illegal immigration “has been made possible, and in fact promoted, by the interest of local sponsors in employing people on a sub-standard basis. Without illegal workers, contract costs and wages would rise significantly” (Kapiszewski 2001:92). It is a necessary subsidiary income for lower-paid nationals. The sponsorship system gives nationals the privilege of a profitable ‘economic rent’.

The sponsorship system is ‘a business partnership’, a product of the existing plural situation (Kapiszewski 2001:198). Although it favours nationals, the expatriate population is also grateful to live in this country, which provides them not only with jobs, but a generally high standard of public services.

The system is, however, threatened. The UAE is a member of both the WTO and the ILO. While the WTO demands a free movement of labour, the ILO is urging the Gulf states to accept basic international labour standards, respect for human rights and so on (Kapiszewski 2001:209). This is also in accordance with the Constitution of the UAE. Article 40 states that: “Foreigners shall enjoy, within the Union, the rights and freedom stipulated in international charters which are in force or in treaties and agreements to which the Union is party. They shall be subject to the corresponding obligations”. The authorities’ strict regulation of the labour market has, however, “left the door wide open for non-productive rent-seeking activities” (al-Qudsi 1998:47).

### ***6.2.3 Nationalisation of the Labour Force***

In chapter 5.2.3 I described the UAE government’s policies towards nationalisation of the labour force (‘emiratisation’). The explanation of such an emiratisation policy can be found in declining oil prices and the completion of major economic

construction activities. This resulted in higher unemployment rates, and underemployment. The high cost of foreign workers and their accompanying families became a factor. Politically, the challenge of having such a large foreign population started to worry the rulers of the Gulf. “Nationalisation policies were thus perceived as an essential means to secure the future of the existing regimes of the Gulf monarchies” (Winckler 2000:245).

The UAE’s federal labour law (1980) imposed strict limitations on the mobility of foreign workers from one job to another. The law requires that they leave the country for at least six months before changing employment. Other political initiatives trying to reduce the number of foreign workers, have been to make their employment more expensive, i.e. the costs of labour cards, permits, visas and health cards. During the 1990s more regulations were imposed, with the quotation of nationals into the private sector as the key policy.

During 1984-1987 there was a reduction in the number of foreign workers. In 1985 600 out of 10,000 foreign workers in the UAE banking sector lost their jobs (Winckler 2000:247). The decrease was, however, short-lived. By the end of the 1980s the number had again increased, as seen in table 6.4.

**Table 6.4. Growth of National and Foreign Labour Force in the UAE**

In percent per annum.

	<b>National</b>	<b>Foreign</b>
<b>1975-1980</b>	3,8	15,0
<b>1980-1985</b>	3,9	-0,5
<b>1985-1995</b>	2,7	5,3

Source: al-Qudsi, Sulayman (1998): Labour Markets and Policy in the GCC: Micro Diagnostics and Macro Profiles. Emirates Lecture 12, page 7.

## 6.3 Nationals vs. Non-Nationals in the UAE Welfare State

### 6.3.1 *The Effects of the Nationalisation Process*

According to the rentier theory, the government will provide the citizens with economic welfare, in exchange for political loyalty. In the 1970s and 1980s the economic development of the state was inevitably dependent on foreign labour. Although the construction era is primarily concluded, foreign labour still plays an important role in the UAE welfare state.

Employment is an essential part of the economic well being of citizens. The UAE Federal Constitution states that: “Society shall esteem work as a cornerstone of its development. It shall endeavour to ensure that employment is available for citizens and to train them so that they are prepared for it” (article 20). Although Kuwait’s Constitution goes further in stating that: “Every Kuwaiti has the right to work and to choose the type of his work”,<sup>63</sup> the UAE Federal Labour Law of 1980 states that “work shall be an inherent right of nationals of the United Arab Emirates” (Article 9). The authorities in all the Gulf monarchies were in fact able to guarantee full employment in the public sector, due to the discovery of oil, and the large revenues extracted from it. For manual or more specialised work, that the citizens were either unwilling or unqualified to do, the government employed foreign labour. Citizenship in one of the Gulf monarchies became in this way a welfare ticket and an economic profit (Winckler 2000:237).

As mentioned above, the governments became concerned over the enormous flows of foreign labour, and announced a nationalisation process of the workforce. The project not only included(s) the public sector, but also private companies (Findlow 2000:34). The authorities’ main goal concerning employment for all UAE nationals

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<sup>63</sup> The Constitution of the state of Kuwait 1962, quoted in Longva (1993): Kuwait and Its Migrant Workers. Exclusion and Dominance in a Plural Society, page 52.

was threatened. The implementation (emiratisation) process was and still is difficult. First of all, the nationals are unwilling to accept jobs that they consider to be socially undesirable (Winckler 2000:248). Both in the retail and service sector, the employers are offering nationals jobs. They find it, however, difficult to attract nationals, because they imagine that working in these sectors, is equivalent to working 'on the floor' in the supermarket or serving drinks and food to customers. These sectors proclaim that they offer jobs just like other businesses in human resources, IT, and sales.<sup>64</sup> Nationals will usually only accept jobs that are "culturally acceptable, high in social status, typically 'modern' and connected with the white-collar environment" (Kapiszewski 2001:213).

Secondly, working in the public sector is more preferable than working in the private sector, due to higher wages, convenient working hours and lifetime employment and generous retirement schemes. In fact, public employment clearly increases with education, resulting in a boost of young educated males in the public sector (al-Qudsi 1998:20-21). The wage policy in the public sector can be seen as a necessity to attract citizens to the management of the state's economy. "Primarily, these policies were enacted and implemented as part of the social contract between governors and citizens in GCC countries" (al-Qudsi 1998:30). The function of the public sector has therefore been to redistribute oil revenues to nationals. Anh Nga Longva claims that by providing nationals with jobs in the government, the aim was not so much to employ citizens in a 'meaningful productive activity' as to use the income from the export of its natural resources for the benefit of the citizens (Longva 1993:63). The Director of the Abu Dhabi based Emirates Centre for Strategic Studies and research, Dr. Jamal Sanad al-Suwaidi, goes far in criticising the government's policy towards employment in the public sector. He says that the government must stop using the public sector as a 'dumping ground'. "You cannot continue spending millions on nationals without getting anything back from them.

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<sup>64</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=36278>. 27.12.01.

By ensuring them jobs without skills, we are creating habits which are very bad for the country”.<sup>65</sup>

A third obstacle is that local employers prefer foreign workers to local workers. Nationals often lack the working ethic considered suitable in the workforce. In addition, they are well protected by labour laws, unlike expatriate labour (Kapiszewski 2001:218). Furthermore, few nationals are skilled in technical occupations.

The emiratization or nationalisation process has not resulted in a decline in the dependence on foreign labour. The policy has neither been strictly or fully implemented (Kapiszewski 2001:207). It has, however, resulted in a workforce-structure more preferable to nationals. Some theorists (Anthony H. Cordesman, among others) talk of the immigration flow as ‘a time bomb’. The authorities in the Gulf monarchies are also officially concerned with the situation, except Dubai, which oppose any federal intervention in the labour market (Kapiszewski 2001:206). I argue, however, that foreign labour plays a crucial part in the fulfilment of the social contract between the rulers and the ruled (the nationals) in the UAE.

### *6.3.2 Occupations of the National and Non-National Workforce*

To analyse what role non-nationals play in the UAE welfare state, we must review what kind of jobs they hold. Gulf analysts have been amazed by the types of occupations pursued by nationals and non-nationals (Bonine 1997:89). Foreign workers are usually only placed in low-status jobs. In the Gulf states, however, they are employed in all sectors of the economy, and in such percentages, that a great dependence has been created. “These employment patterns and statistics indicate that the GCC states are highly dependent upon foreign workers. They not only

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constitute the vast majority of the total labour force, but also they particularly comprise workers for the production and service sectors of the economy” (Bonine 1997:242). There are, however, a relatively low percentage of nationals in low-paid jobs. The rapid development made nationals move out of blue-collar jobs to better paid white-collar jobs (Kapiszewski 2001:76).

**Table 6.5. Occupations of the National and Non-national UAE Workforce 1992**

<b>Occupational group</b>	<b>National</b>	<b>Non-national</b>	<b>Total</b>	<b>% Non-national</b>
<b>Professionals and technical</b>	6,790	98,650	105,440	93,6
<b>Administrative and managerial</b>	11,720	7,770	19,490	39,9
<b>Clerical and related</b>	24,830	82,340	107,170	76,8
<b>Sales workers</b>	4,000	62,140	66,140	93,9
<b>Service workers</b>	34,780	177,890	212,670	83,6
<b>Agricultural and related</b>	3,160	60,590	63,750	95,0
<b>Production and labourers</b>	7,720	287,420	295,140	97,4
<b>Other</b>	0	0	0	0
<b>Total</b>	93,000	776,800	869,800	89,3

Source: Bonine (1997); Population Growth, the Labour Market and Gulf Security, page 244-245.

Table 6.5 is a clear indication of the fact that non-nationals dominate all sectors of the UAE economy, with only one exception. In the administrative and managerial group non-nationals represent only 39,9% of the workforce, compared to more than 75% in every other occupational group. In the occupational group of production and labourers expatriates represent as much as 97,4% of the labour force. However, table 6.5 also shows us the heavy need for foreign labour in the group of professionals and technicians. It underlines the fact that expatriates are not only

<sup>65</sup> Dr. al-Suwaidi quoted in a special report about the UAE in the Middle East Economic Digest (MEED), [http://web.nps.navy.mil/~relooney/3040\\_1452.htm](http://web.nps.navy.mil/~relooney/3040_1452.htm). 02.05.00.

represented in low-paid, unskilled jobs, on the contrary, they are represented in all jobs, not preferred or capable for UAE nationals.

The fact that 60,1% of the labour force in the administrative and managerial group are nationals, needs some further comments. The educational level of the non-national workforce was once higher than that of the nationals in the Gulf states. However, the enormous focus on education has led to a change in this situation (Bonine 1997:248). If this is the case, why is the administrative and managerial group, the only group with an overrepresentation of nationals? The education system in the UAE is claimed to discourage 'intellectual curiosity'. "It channels students into acquiring prestige degrees rather than gaining marketable skills".<sup>66</sup> Multinational companies blame the education system for failing to see the needs of the labour market. More emphasis on vocational and technical training and education is acquired (Winckler 2000:249).

Kapiszewski (2001:212) draws attention to other sides of the issue: "...thanks to the specific policies of the authorities, nationals have been appointed to top positions in the government (especially in ministries, the military and security services) as well as in the economic field (especially in oil firms and banks because of their strategic importance). In fact, nationals are chief executive officers in almost all state-owned companies as well as head of companies' branches and departments". During my trips to the UAE in 2001 and 2002, I made an interesting observation. In the federal ministries I was always led to the head of the department in matter who always was a UAE national, most often from one of the northern emirates.<sup>67</sup> He again passed me on to an expert on the field, often an Egyptian, with a guideline as to what he could give me of information. The situation is, however, changing with the increase in education among the nationals, especially the western educated nationals.

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<sup>66</sup> The Economist, 23.03.02, page 11.

<sup>67</sup> I was later told that Abu Dhabi nationals did not need to work in the public sector. In the northern emirates, however, there are few jobs, and by offering the citizens employment in the public sector, the persistence of the federation is strengthened.

### *6.3.3 The Role of Non-Nationals in the Social Contract*

Non-nationals play an important role in the fulfilment of the social contract between the rulers and the ruled (the nationals). The economic welfare of the UAE citizens would not have been possible to maintain without the access to foreign labour. The Gulf countries are unique in this way. In other countries, the working-class would resist the importation of foreign labour, in fear of the latter taking their jobs. In the Gulf states, however, employing foreign workers is not strictly for profits, “but for achieving a higher level of utility in the economics sense” (al-Qudsi 1998:41). The demand for foreign labour continues to rise, even though the major construction period is over. Al-Qudsi (1998:46) claims that: “Part of the reason must lie in the “consumptive” component of such demand, that is, reliance on foreigners to render unskilled and menial jobs that are essentially not critical for the economy. Importation of maids, servants, low-level clerks, receptionists and unskilled agricultural and informal sector workers illustrates the extent of dependence on ‘foreign effort’ for consumptive purposes”. I do not entirely agree with him. The ‘consumptive’ component is indeed high, but table 6.4 clearly shows us the need for foreign labour in all sectors of the economy. The main problem lies in the education sector, and the willingness of nationals to obtain jobs they are qualified for, but which are not socially desirable. Even though, the country still needs more labour than the local labour force is capable of providing.

The imbalance is, though, exceptionally high, due to policies like early retirement. The public pension schemes of the Gulf countries encourage early retirement and dependence on foreign labour. A policy clearly inconsistent with mitigating foreign labour dependence (al-Qudsi 1998:41). In addition, nationals have the perception that wages are not related to job performance and that promotion is not related to accomplishment (Kapiszewski 2001:77). This has major effects on the productivity in the economy. In the public sector there are often three or four persons filling one position. As Dr. Jamal Sanad al-Suwaidi pointed at, there has to be a change in

government policy towards nationals in the labour market. In Dubai one can already observe remarkable changes. It has been said, that Sheikh Mohammed runs Dubai as his own firm. In this way, he supports new projects and gives the working people confidence. In Abu Dhabi, the authorities continue to 'protect' the citizens from hard work.

There is, however, no doubt that the oil boom has created a 'labour aristocracy', as Andrezej Kapiszewski labels it. The nationals draw direct benefits from the foreign presence. "The richer the nationals have become, the less willing they have been to forsake the easy living of a landlord, a business owner or a civil service employee in exchange for the more demanding routines of an engineer or an industrial worker" (Kapiszewski 2001:77).

Despite this fact, there have been few economically based conflicts between nationals and foreign workers. The 'business partnership' is in both parties interest. The different ethnic groups do not interact with each other, in social contexts. This is possible due to "the existing rigid stratification system, the legal and practical separation of nationals and expatriates, the favourable economic circumstances and a good understanding of the mutual benefits" (Kapiszewski 2001:177).

## 6.4 Concluding Remarks

The dominant foreign labour force in the Gulf troubles several theorists (Bonine 1997; Winckler 2000 etc.). However, non-nationals in the UAE fill an important function in the UAE welfare state, and as long as the working force mainly exists of Asian labour, and not non-national Arabs, they are not considered a threat to the stability of the regime. An opposition among the expatriates would only lead to expulsion, and thus making the conditions worse for themselves.

Expatriates are necessary for the realisation of the social contract. They create a dependent relationship between the rulers and the ruled, and they are an important factor in explaining the lack of motive for an organised domestic opposition against the regime. Nationals are the privileged, and expatriates are separated from them by law. Expatriates are denied the right to obtain a UAE citizenship, hence they are only temporary residents and must leave the country when unemployed. In addition, the sponsorship system makes them dependent on a national citizen. “It is important to add that the rentier nature of the new state is magnified by the tribal origins of these states. A long tradition of buying loyalty and allegiance is now confirmed by an ‘etat providence’, distributing favours and benefits to its population” (Beblawi 1990:89).

My second hypothesis occurs to be strengthened. The nationals can choose the work that they find acceptable. The overcrowded bureaucracy is an underlining of this fact. Further, the dominance of UAE citizens in the administrative and managerial group and their much lower share in all other groups, is an indication that foreign labour take on the manual and unpleasant jobs.

## 7 A Social Contract Between the Emirates?

The aim of this final chapter is to empirically discuss the hypothesis derived from the rentier state theory, concerning the relationship between the ruling families of the individual emirates:

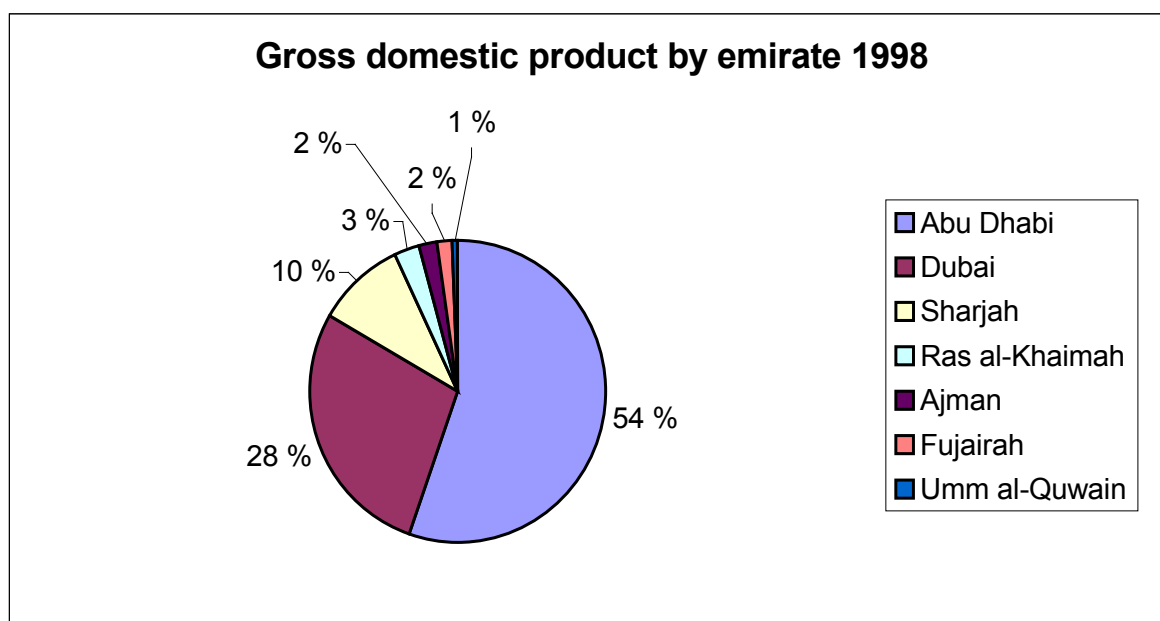
*The United Arab Emirates is a rentier state, if we can show that Abu Dhabi subsidises the smaller emirates, instead of requiring a contribution from them to the federal budget. In return, the Abu Dhabi ruling family requires loyalty from the other ruling families.*

In this case the ruler is the ruling family in Abu Dhabi, the largest oil producer, and the emirate that holds the seat of the president. The ruling families in Sharjah, Umm al-Quwain, Ajman, Ras al-Khaimah and Fujairah are the ruled, and rely heavily on federal funds. A political opposition in this case would be a ruling family in one of the smaller emirates, opposing the ruling family in Abu Dhabi. The case of Dubai is special and will be discussed at the end of this section.

## 7.1 The Economic Differences Between the Emirates

Abu Dhabi and Dubai are the only two emirates that have considerable amounts of oil, and are hence the wealthiest of the seven emirates as seen in chart 7.1, GDP by Emirate. Abu Dhabi contributed with 54% of the total UAE's GDP of 46 308 million US Dollars in 1998, while Dubai contributed with 28%. Abu Dhabi's GDP is five times higher than that of Sharjah, and fifty-four times higher than Umm al-Quwain's GDP. Although Abu Dhabi is the most populous emirate, as shown in chart 7.2, GDP per capita gives a similar picture. The differences between the emirates would have been even more disproportionate if we compared GDP per national. The majority of the UAE population are expatriates, and most of them live in the larger cities. By the end of the year 2000 75% of the population in the Emirate of Abu Dhabi were expatriates.<sup>68</sup>

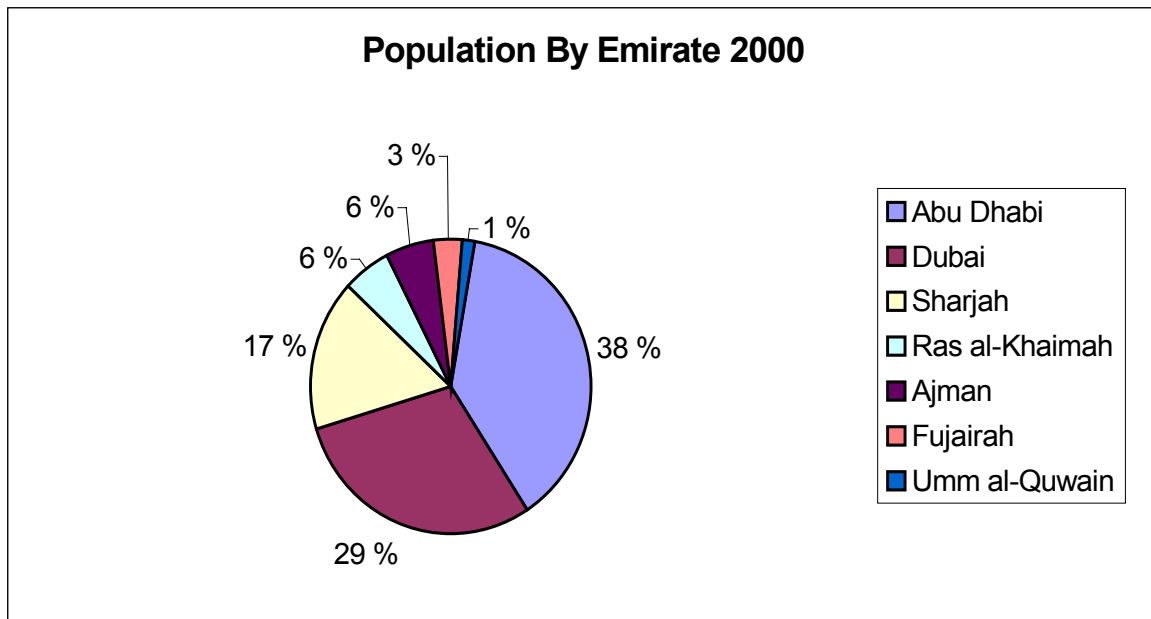
**Chart 7.1. Gross Domestic Product by Emirate**



Source: The Economist Intelligence Unit; UAE Country Profile 2000.

See Appendix 1.11 for specific figures.

<sup>68</sup> <http://www.gulf-news.com/Articles/news.asp?ArticleID=42348>. 26.02.02.

**Chart 7.2. Population By Emirate**

Source: Ministry of Planning.<sup>69</sup>

See Appendix 1.12 for specific figures.

Abu Dhabi's overwhelming contribution of the UAE's total GDP is mainly due to the emirate's oil revenues, though the fall in oil prices has forced the emirate to diversify its economy. The development of downstream industries<sup>70</sup> is a central part of the UAE efforts to move away from oil exports.<sup>71</sup> The oil revenues contribute to the GDP of Dubai as well. However, the emirate has diversified its economic base in a much larger scale than Abu Dhabi. The emirate has developed its business and commercial activities, including tourism, and has the busiest port in the Gulf. Sharjah, too, has oil and gas deposits, but it has focused on light manufacturing and port facilities. Sharjah is known to be the cultural and intellectual centre of the UAE (Heard-Bey 1996:398). Ras al-Khaimah is also an oil-producing emirate, though the production has been far from what was expected (Ibid 1996:398-399). In Fujairah, Umm al-Quwain and Ajman free zone areas and ports are the main industries.

<sup>69</sup> The United Arab Emirates, 2000 UAE in Figures, Issue 21 (July 2001).

<sup>70</sup> Refining and Petrochemical plants.

<sup>71</sup> [http://www.uae.gov.ae/Government/oil\\_gas.htm](http://www.uae.gov.ae/Government/oil_gas.htm). 13.11.01



The differences in the financial situation between the emirates can also be seen by looking at the degree of unemployment. The unemployment in Umm al-Quwain is the highest in the UAE, at 5.8 per cent, followed by Ras al-Khaimah, with 3,5 per cent.<sup>72</sup> Although the number is four times higher than that of Abu Dhabi, the problem is not overwhelming in any of the emirates. The unemployment rate among nationals is, however, expected to rise, since the local and federal departments cannot absorb more labour. The number of UAE national women applying for work has also increased during the last decade.<sup>73</sup>

In table 5.1 (page 57), Federal Government Revenue, we saw that Abu Dhabi and Dubai are the only two emirates that contribute to the federal budget. Although I have not been able to find the figures all the way back to 1971, we can be quite certain that the other emirates have never contributed to the federal budget. Dubai covers only a small part of it, while Abu Dhabi has the largest burden. As I have illustrated above, these two emirates are the only ones that can afford the costs of such a contribution.

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<sup>72</sup> IMF Staff Country Report No. 98/134.

<sup>73</sup> <http://www.gulf-news.com/Articles/News.asp?ArticleID=31962>. 09.11.01.

## 7.2 The Political Differences Between the Emirates

The UAE is a federation. In chapter 2 we saw that the federal government maintains jurisdiction in areas such as foreign affairs, defence, health, education, postal and telegraph services and electricity services (Article 120 of the UAE Constitution), while the individual emirates are responsible for their natural resources, finance and economic activity, and internal security.

In the highest authority of the federation, the Supreme Council, all the seven rulers are equally represented. The Supreme Council elects the President and the Vice President of the federation, among its members, as shown in chapter 2.2.2. These important seats were initially thought to rotate on the different rulers. Abu Dhabi and Dubai have, however, held these seats within the federation. Sheikh Zayed of Abu Dhabi has been re-elected as the federation's President six times since the founding of the federation in 1971, while Dubai has held the seats of the Vice-President and the Prime Minister, the latter being appointed by the president. When Sheikh Rashid of Dubai died in 1990, his successor took his positions, without any question as to whether another emirate should hold these seats. Accordingly, the positions are not connected to the person, but rather to the ruling family of the emirate.

The special position of the two emirates is also manifested in the Constitution. The Supreme Council demands a majority vote on procedural matters, while a majority of five, including Abu Dhabi and Dubai is necessary on substantial matters (Article 49). What matters that are considered to be substantial and what matters that are considered to be procedural is, however, not specified in the Constitution. This means that Abu Dhabi and Dubai have a *de facto* veto in matters they choose to define as "substantial" to the federation.

In the Federal National Council, the UAE National Assembly, all emirates are represented. The Constitution states that Abu Dhabi and Dubai have 8 seats,

Sharjah and Ras al-Khaimah have 6 seats, and Ajman, Fujairah and Umm al-Quwain have 4 seats each. The Council has, however, only a consultative role, and is not a legislative authority.

The number of ministers in The Council of Ministers is not specified in the Constitution, neither is the appointment of the ministers between the emirates. Article 56 states that the ministers shall be chosen among the citizens of the Union known for their competence and experience. Today, Abu Dhabi has six ministers, Dubai and Sharjah three each, Fujairah and Ras al-Khaimah two each and Ajman and Umm al-Quwain one each. The most important posts, such as foreign affairs, defence, finance and industry are held by Abu Dhabi and Dubai. It is not likely that a competent and experienced person from Ajman would hold the post of e.g. foreign affairs.

There is no doubt that it is the rulers or the ruling families of Abu Dhabi and Dubai who are “running” the federation. They have the economic means to keep the federation together, and they have the political power to make the substantial decisions efficient.

## 7.3 The Link Between Economic and Political Power

### *7.3.1 Abu Dhabi and Dubai Pay the 'Bill'*

The question concerning why only Abu Dhabi and Dubai contribute to the federal posts may have various sets of answers. The first and most obvious place to look is in the Federal Constitution. Part eight of the United Arab Emirates's Constitution (article 126-136) covers the financial affairs of the Union. Article 126 of the Constitution says that the general revenues of the Union shall among others consist of: "Contribution made by member Emirates of the Union in the Annual Budget of the Union in accordance with the article herein coming after" (article 126, paragraph 3). The article coming after, article 127, states the following: "The member Emirates of the Union shall contribute a specified proportion of their annual revenues to cover the annual general budget expenditure of the Union, in the manner and on the scale to be prescribed in the Budget Law." The Constitution states that all emirates shall contribute to the federal budget. Accordingly, the emirates do not follow the Constitution in this matter. Concerning the Budget Law, a native speaking Arab translated the law for me, and could inform me that the budget law did not specify any more than the Constitution. The Budget Law can therefore not explain why the five northern emirates do not contribute at all.

Abu Dhabi and Dubai have chosen not to use the Constitution to demand the smaller emirates to contribute to the federal budget. My conclusion is that the two emirates are afraid that they will be challenged on the political arena. The political risk is too high.

### *7.3.2 The Smaller Emirates: The Case of Ras al-Khaimah*

The smaller emirates' inferiority has been demonstrated since the first steps of the founding-process of the federation. At the first constituting meeting, Qatar proposed a draft where the number of participants was reduced from nine to five. The idea was to establish a union among the five smaller sheikhdoms (Sharjah,

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Ajman, Umm al-Quwain, Ras al-Khaimah and Fujairah), with one president, who would represent them in the anticipated federation.<sup>74</sup> The idea was rejected as unworkable, since the signing away of their sovereign rights was considered unacceptable. We can see that even though this proposal failed, the smaller emirates were at an early stage seen as less important due to the size of population and economic resources, or turning it around, Bahrain, Qatar, Abu Dhabi and Dubai were more developed states.

Ras al-Khaimah did not join the federation on 2 December 1971. Frauke Heard-Bey gives three probable reasons as to why Ras al-Khaimah hesitated to join the federation (Heard-Bey 1996:369). Firstly, Ras al-Khaimah did not appreciate to be ranked as one of the smaller sheikhdoms. In the negotiation process Ras al-Khaimah was not consulted as frequently as the four largest states. In addition, it did not attain the same number of delegates and voting rights. The historic role, which the emirate had played in the past, was not valued. The second problem was connected to the dispute with Iran over the two Tunb islands. Sharjah had recently signed an agreement with Iran concerning a third island, the Abu Musa. Ras al-Khaimah refused to sign a similar agreement. The dispute between, now, the UAE, and Iran is still tense. Thirdly, an American Oil Company, Union Oil of California, had recently made a promising oil strike in the emirate. Ras al-Khaimah, as a potential oil-rich sheikhdom, hesitated to join the federation. In December 1971, the amount of oil was said to be too little to justify production.

The last point needs some further comments. The fact that Ras al-Khaimah hesitated to join the federation if it struck considerable amounts of oil, is an indication that the sheikhdom would not accept the political conditions presented. Ras al-Khaimah changed its mind when it was known in December 1971 that the amounts of oil found were not enough to start production. With oil, the emirate

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<sup>74</sup> The president seat was to rotate among the sheikhs.

would have managed to stand on its own feet. Without oil, the emirate had no choice but to accept the conditions presented.

Ras al-Khaimah formally joined the federation on 10 February 1972. It was given six seats in the National Council, equal to Sharjah, but more than the three smaller emirates. In addition, Ras al-Khaimah was promised federal assistance concerning development projects. Furthermore, a member of the ruling family was nominated Deputy Foreign Minister on 6 February (Heard-Bey 1996:370).

### *7.3.3 The Relationship Between Abu Dhabi and Dubai*

What are the similarities between Abu Dhabi and Dubai? First of all they originate from the same tribe. Secondly, they are the two largest emirates in the federation, both geographically and demographically. Thirdly, they are the only two emirates with considerable amounts of oil. Further on, they obtain the two most important seats in the federation, have veto in substantial matters, and hold the most important minister-posts. They are, however, not equal when it comes to the fact that Abu Dhabi has the most influential family in the federation. Abu Dhabi is the largest emirate. Abu Dhabi is an oil economy, with oil reserves for an estimated 100 years, while Dubai has a more diversified economy. Abu Dhabi is the capitol of the federation. Abu Dhabi holds the presidency and therefore the last word in matters concerning the federation. However, Dubai contributes to the federal budget, thus the emirate has political power.

Dubai has had a long history of autonomy, and has always been suspicious of Abu Dhabi's leadership (Foley 1999). From the beginning of the federation talks, Dubai was hesitant to join the federation without Qatar (Heard-Bey 1996:362). Dubai had a better relationship with Qatar, due to Qatar's grants and loans, than with Abu Dhabi, which it just recently had settled its disputes with. Dubai's desire for autonomy can be seen in the following examples: Dubai has had problems with recognising the UAE's OPEC quota and has forced Abu Dhabi to under-produce to

stay below the OPEC limits. In addition, Dubai rejected a memorandum in 1979 concerning the unification of the federation's defence forces.

There has, however, been a change in the attitude during the last years. Dubai has experienced a 35% decline in its oil production since 1993. As a result, Dubai has realised that it does not have the resources to stand on its own, and has therefore come to accept Abu Dhabi's role within the federation. Several factors underline this. First of all, the rulers of the seven emirates finally agreed upon a permanent constitution in 1996. The Provisional Constitution from 1971 was valid for 25 years, even though it was only meant to last for a period of five years. The changes made were of a small character, but nevertheless important. The Constitution became permanent and Abu Dhabi was announced capitol of the UAE. Secondly, Dubai chose to integrate their military forces into the federation's defence forces in 1998. Thirdly, there have been no signs of Dubai wanting to challenge Abu Dhabi's right to retain political power in the event of Sheikh Zayed's death.

There is an obvious link between economic and political power between the emirates. Abu Dhabi is by far the wealthiest of the seven emirates, and the smaller emirates need its economic support. Abu Dhabi strengthens its position by closer co-operation.<sup>75</sup> This is further illustrated with Dubai's acceptance of Abu Dhabi's leadership within the federation.

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<sup>75</sup> The Economist Intelligence Unit; UAE Country Profile 2000.

## 7.4 Concluding Remarks

The Constitution states that all emirates shall contribute to the federal budget. Abu Dhabi and Dubai are, however, the only two emirates that contribute. Abu Dhabi, which holds the seat of the president and is the major oil producer in the federation, has not put pressure on the smaller emirates to contribute to the federal budget. Dubai, which is the only other emirate that contributes to the federal budget, has been given a certain degree of political power. This has resulted in some tensions between the two ruling families. The same tensions cannot be found in the relationship between the ruling family of Abu Dhabi and the smaller emirates. This indicates that as long as Abu Dhabi subsidises the smaller emirates, the ruling families will be loyal to Abu Dhabi's leadership.

My final hypothesis, concerning the relationship between the emirates, seems hereby strengthened, though weak empirical data makes it difficult to draw exact conclusions. A social contract seems to exist between the ruling family of Abu Dhabi and the ruling families of the smaller emirates. There are indications that this social contract contributes to the political stability of the UAE.





## 8 Conclusion

The focus of this thesis has been to analyse how the rulers of the United Arab Emirates use the oil economy as an instrument in securing political stability in the UAE. I have drawn attention to several ‘structural distortions’ as a consequence of having an oil-based economy, and how the rulers handle these problems. These ‘structural distortions’, together with the key assertions of the rentier theory have made the bases of the hypotheses discussed in this thesis.

The United Arab Emirates is a politically stable country, in the sense that there have been no major changes in the political organisation since the foundation of the federation in 1971. The relationship between the independent variable, oil rent, and the dependent variable, political stability, has been examined through the social contract, here identified by two intervening variables, welfare policies and political loyalty. The federal character of the UAE has had an effect on the research model, and driven me to examine the social contract on two levels, the state-citizen level and the federal level. Two hypotheses were extracted on the former level, while one hypothesis was extracted on the latter.

Limited empirical data has had consequences for the analytical strategy of this study. In addition, the close ties between the ruling families and the government have made it difficult to draw precise conclusions concerning the financial situation of the country. The reliability problems of the information concerned have been discussed throughout this thesis, and have had an effect on the conclusions drawn, in the sense that I have not been able to verify or falsify any of my hypotheses. The aim of this thesis has therefore only been to make qualified assessments as to what could either strengthen or weaken them.

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Since the level of political discontent has been equal to nil on the state-citizen level, i.e. the relationship between citizens and rulers, the focus of the analyses has been on the rulers' policies towards the citizens. According to the rentier theory, political loyalty is economically motivated, in the sense that the rulers can buy off any opposition that might arise. Economic welfare is therefore thought to positively correlate with the level of political opposition. The economic welfare of the citizens is, however, closely related to oil revenues, since the UAE is heavily dependent on oil. The assumption that the degree of oil rent has an effect on the welfare policy of the state has, however, proven wrong. The rulers have continued a high level of government expenditure on welfare, in spite of fluctuating oil revenues. This has resulted in an annual deficit, both in the federal budget and in the local governments' accounts in the emirates of Abu Dhabi and Dubai. Returns from foreign investments, made by the Abu Dhabi Investment Authority, are used to cover these deficits. This is an indication that the rulers are willing to use the economy created by the oil revenues to secure political stability in the UAE. Hence, my initial hypothesis is strengthened.

My second hypothesis, also concerning the social contract between the citizens and the rulers, addresses the use of foreign labour in the state's welfare policy. The importation of foreign labour was absolutely necessary for the economic development that started as a result of the oil price increase in the beginning of the 1970s. The rulers thought that in due time, the national population would be able to provide the necessary knowledge to fill the expatriates' place. This assumption turned out to be wrong. This thesis has shown that the rulers' welfare policies have made nationals critical in their choice of work, and that they will not take on jobs that they do not find acceptable. The high number of nationals in the administrative and managerial group, compared to all other occupational groups, is a clear indication of this fact. In addition, the high number of nationals in the state bureaucracy also supports this fact. A rentier mentality exists within the national community, in the sense that payment is not considered to be connected to job performance, but is rather conceived as a rightful share of the oil wealth. Limited

empirical data supports the fact that the rulers use foreign labour to secure the economic welfare of the citizens.

My third and final hypothesis raised the rentier theory up to the federal level. The idea that there is a social contract between the ruling families of the federation, and that this contract also is a factor in explaining political stability in the UAE, is new. This thesis has indicated that such a contract does exist. The oil rent has made the ruling family of Abu Dhabi the financial powerhouse within the federation. As a consequence, Abu Dhabi has not demanded the smaller emirates to contribute to the federal budget. Dubai, however, covers a small part of the federal budget, and therefore has more political power than the other five emirates. This has also resulted in some tension between these two ruling families. There are, however, indications that Dubai finally is finding its place within the federation, and that it has accepted Abu Dhabi's leading role. There is little doubt, based on the available empirical data, that Abu Dhabi's subsidises of the other emirates is an important factor in explaining why the federation stays together.

In addition, this thesis has revealed how the rentier theory can contribute to the explanation of Abu Dhabi's dominating role within the federation. The different layers of rentiers stand out clearly. The ruling family of Abu Dhabi is at the top of the hierarchy, with the ruling family in Dubai not far behind. The ruling families of the smaller emirates are clearly a level below. There are levels of rentiers among the UAE citizens as well, based mostly on the tribal structures from before the founding of the federation. At the bottom of the hierarchy we find the non-nationals, who actually are outside the contractual relationship that exists between the rulers and the UAE citizens.

Based on the assumptions of the rentier theory, we can expect an increasing discontent with the regime, in the event of decreasing expenditure on welfare, an introduction of income tax, or increasing unemployment. Likewise, the ruling families of the smaller emirates will oppose and demand political power, if Abu

Dhabi cuts its subsidises. Despite the political consequences a change in policy might have, the IMF recommends a strong fiscal reform programme for the 'distorted economy' of the UAE, with a reduction in government subsidies, a reduction of labour in the government bureaucracy, a rationalisation of non-productive spending and an introduction of taxes on income of individuals and companies (Sick 1997:24).

This thesis has strengthened the assumption that the rulers use the oil economy as an instrument in securing political stability. The basic assumptions of the rentier theory, in the case of the UAE, have therefore been strengthened. The thesis has, however, not ruled out other factors that can explain the political stability we are witnessing in the UAE. The fact that I have focused on the political economy of the UAE does not indicate that other factors are less interesting to examine. The thesis is a result of the choices I had to make, especially concerning methodological implications. It is my hope that it one day will be possible to give an in-depth analysis of the various factors contributing to political stability in the United Arab Emirates.

## Appendix 1

Throughout the whole thesis the currency referred to has been United States Dollars (US\$). Most of the figures were originally in Arab Emirates Dirhams (AED). For the reader, however, the use of US\$ makes it less complicated to compare the figures from the UAE with other figures, and at the same time be familiar with the numbers. I have personally converted all the figures that were in AED to US\$, and used the official exchange rate of the particular year, found in IMF International Financial Statistics Yearbook 2001. The exchange rates from 1971 – 2000 are presented below. Further, all the figures used in the charts in this thesis are presented. Totals may however not add up, due to independent rounding.

### Appendix 1.0

Dirhams per US Dollars:

<b>1971</b>	<b>1972</b>	<b>1973</b>	<b>1974</b>	<b>1975</b>	<b>1976</b>	<b>1977</b>	<b>1978</b>	<b>1979</b>	<b>1980</b>
4.3860	4.3860	4.0075	3.9805	3.9970	3.9770	3.8980	3.8380	3.7660	3.6710
<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>
3.6710	3.6710	3.6710	3.6710	3.6710	3.6710	3.6710	3.6710	3.6710	3.6710
<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
3.6710	3.6710	3.6710	3.6710	3.6710	3.6710	3.6725	3.6725	3.6725	3.6725

Source: IMF International Financial Statistics Yearbook 2001.

## Appendix 1.1

### UAE Crude Oil Production and Exports (Thousand b/d)

	1970	1975	1980	1985	1990	1991	1992
<b>Export</b>	750	1660	1700	990	1870	2140	2030
<b>Production</b>	780	1660	1700	1130	2070	2330	2210
	1993	1994	1995	1996	1997	1998	1999
<b>Export</b>	1910	2010	1970	2010	2060	2100	1920
<b>Production</b>	2110	2110	2150	2200	2240	2270	2090

Source: Arthur Andersen/ Cambridge Energy Associates; World Oil Trends 2000.

## Appendix 1.2

### Values of UAE Export (In Million US Dollars)

	1978	1979	1980	1981	1982	1983	1984
<b>Total Export</b>	9832	14801	21967	21792	18224	15391	15990
<b>Petroleum Export</b>	8661	12862	19390	18761	15956	13016	12037
	1985	1986	1987	1988	1989	1990	1991
<b>Total Export</b>	14764	10129	12765	12250	17596	23544	24436
<b>Petroleum Export</b>	10896	6865	7900	7627	10215	14846	14356
	1992	1993	1994	1995	1996	1997	1998
<b>Total Export</b>	24756	21276	21619	24025	27569	30717	26700
<b>Petroleum Export</b>	14251	12118	11683	12822	14980	15269	11131

Source: The OPEC Annual Statistical Bulletin 1998 and the OPEC Revenues Fact Sheet.

## Appendix 1.3

### Abu Dhabi Government Financial Operations (In Million US Dollars)

	Revenue	Hydrocarbone	Expenditur
<b>1993</b>	7592	6679	11561
<b>1994</b>	6957	6170	12485
<b>1995</b>	8011	6955	13370
<b>1996</b>	9897	8367	16985
<b>1997</b>	10819	9352	13609

Source: IMF Staff Country Report No. 98/134.



## Appendix 1.4

Dubai Government Financial Operations (In Million US Dollars)

	Revenue	Oil & gas e	Expenditur
<b>1993</b>	2100	1854	2393
<b>1994</b>	1837	1491	2129
<b>1995</b>	2026	1513	2597
<b>1996</b>	2158	1463	2297
<b>1997</b>	2528	1542	2747

Source: IMF Staff Country Report No. 98/134.

## Appendix 1.5

Sharjah Government Financial Operations (In Million US Dollars)

	Revenue	Hydrocarbonse	Expenditur
<b>1993</b>	399	196	250
<b>1994</b>	400	156	298
<b>1995</b>	352	257	335
<b>1996</b>	397	252	352
<b>1997</b>	456	307	366

Source: IMF Staff Country Report No. 98/134.

## Appendix 1.6

Ras al-Khaimah Government Financial Operations (In Million US Dollars)

	Revenue e	Expenditur
<b>1995</b>	63	46
<b>1996</b>	59	69

Source Appendix 1.3 – 1.6: IMF Staff Country Report No. 98/134.

## Appendix 1.7

### UAE Crude Oil Prices (US Dollars per Barrel)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<b>Oil Price</b>	1,75	1,9	2,1	9,6	10,5	11,5	12,1	12,7	13,3	29,6
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
<b>Oil Price</b>	36,6	35,5	34,6	29,6	29,6	28,2	15,6	17,9	13,7	19,1
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>Oil Price</b>	24,7	16,8	18,2	14,1	17,3	18,8	24,1	16,3	10,5	25

Source: Energy Information Administration: Annual Energy Review 2000 and Energy Information Administration; International Energy Database, January 2001.

## Appendix 1.8

### UAE Crude Oil Revenue (In Million US Dollars)

	1970	1975	1980	1985	1986	1987	1988	1989	1990
<b>Oil Revenue</b>	520	6810	19390	10900	6870	7900	7630	10220	14850
	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Oil Revenue</b>	14360	14250	12120	11680	12820	14980	15270	11130	14310

Source: Arthur Andersen/Cambridge Energy Research Associates; World Oil trends 2000.

## Appendix 1.9

### UAE Federal Government Revenues and Expenditure (In Million US Dollars)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<b>Revenues</b>		46	105	201	444	780	8	153	182	235
<b>Expenditure</b>		37	97	184	289	539	0	130	177	215
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
<b>Revenues</b>	611	438	376	349	422	349	344	350	351	415
<b>Expenditure</b>	508	544	444	426	434	364	361	359	366	392

	5	3	3	8	2	2	2	2	8	1
	<b>199</b>	<b>199</b>	<b>199</b>	<b>199</b>	<b>199</b>	<b>199</b>	<b>199</b>	<b>199</b>	<b>199</b>	<b>200</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>0</b>
<b>Revenues</b>	398	480	421	441	451	478	517	524	556	563
	3	9	1	3	8	7	7	3	2	1
<b>Expenditure</b>	415	423	419	479	485	461	491	522	623	629
	4	7	7	7	8	8	5	0	8	5

Source: IMF; Government Finance Statistics Yearbook 1981, 1988, 1993, 1996 and 2000, The Economist Intelligence Unit; Country Profile 2000, and International Energy Agency; Middle East Oil and Gas 1995.

## Appendix 1.10

### The UAE Population (In Thousands)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	
<b>Population</b>	790	920	1010	1100	1170	1210	1310	1380	1440	1500	1790	
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	1860	1920	1980	2040	2100	2160	2310	2440	2580	2720	2938	3108

Source: The OPEC Annual Statistical Bulletin 1998, the UAE Central Bank (05.11.01), and the Ministry of Planning (07.11.01).

## Appendix 1.11

### Gross Domestic Product by Emirate 1998 (In Million US Dollars)

	1998
<b>Abu Dhabi</b>	25617
<b>Dubai</b>	12912
<b>Sharjah</b>	4577
<b>Ras al-Khaimah</b>	1299
<b>Ajman</b>	908
<b>Fujairah</b>	700
<b>Umm al- Quwain</b>	296
<b>Total</b>	48306

Source: The Economist Intelligence Unit; UAE Country Profile 2000.

## Appendix 1.12

### Population by Emirate 2000 (In Thousands)

	2000
<b>Abu Dhabi</b>	118600
<b>Dubai</b>	913000
<b>Sharjah</b>	520000
<b>Ras al-Khaimah</b>	171000
<b>Ajman</b>	174000
<b>Fujairah</b>	98000
<b>Umm al- Quwain</b>	46000

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<b>Total</b>	311000 0
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Source: Ministry of Planning.

## Appendix 2

The following persons were interviewed during my stay in the United Arab Emirates

26. March – 5. May 2001 and 20. April – 26. April 2002 .

- Mohammed al-Murr; Political Scientist, former journalist, now a full-time author.
- Ann-Christin Zayed; Former, Norwegian Business Council.
- Frode Solberg; First Secretary, Deputy Head of Mission, Royal Norwegian Embassy.
- Dr. Ali Saeed Al Ameri; PhD in Anthropology and Managing Director in Al Shoumoukh Int'l Services (Sisco).
- Dr. Abdulkhaleq Abdulla; Associate Professor of Political Science at the United Arab Emirates University in Al Ain. He holds a PhD in Political Science from Georgetown University.
- Abdul Hamid Ismail; Administration Manager, Gulf Agency Company.
- Essa Abdulfattah Kazim; Director General, Dubai Financial Market.
- Khalid al-Tayer; Co-Founder, Makook, Dubai. (Young UAE national).
- Dr. Ali al-Ghafli; Associate Professor of Political Science at the United Arab Emirates University in Al Ain.
- Dr. Mariam Lootah; Associate Professor in Political Science at the United Arab Emirates University in Al Ain.
- Marcus Fredriksson, Marketing Adviser, Swedish Business Council.
- Azzan Abdullah Al Ghurair; Emirates Trading Agency L.L.C, Associated Constructions & Investments Co. L.L.C.
- Jamal Sanad al-Suwaidi; Director of the Emirates Centre of Strategic Studies and Research, Abu Dhabi.

In addition, I conducted interviews at the following institutions;

- The UAE Central Bank
- The Ministry of Planning
- The Ministry of Finance and Industry
- The Ministry of Labour and Social Affairs
- A UK Law Firm

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